EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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EUROPE
Taming the EC paper mountain
Page 17

World News

ANC holds first rally in South Africa in 30 years

Youths carrying toy guns stood guard over the 70,000 people who attended the first political rally held by the African National Congress in South Africa for nearly 30 years.

Despite symbols of militancy at the Soccer City stadium outside Soweto, where ANC supporters gathered to welcome the seven elderly leaders recently released from jail, the language of the men who addressed the rally was suprisingly conciliatory. Page 18

HK refugee accord

British and Vietnamese diplomats in Hanoi have agreed in principle a three-year mandatory repatriation programme which could mean up to 1,000 Vietnamese boatpeople a month returning home from Hong Kong. Page 18

St Paul's site sold

A UK and US property company today take control of Paternoster Square, adjacent to St Paul's cathedral, one of the most coveted and sensitive redevelopment sites in the City of London. Page 9

Sigur in Pyongyang

Former US State Department official Gaston Sigur arrived in Seoul to brief South Korean leaders on his high level visit last week to communist North Korea. Page 4

Libya-Rome tension

Tension between Italy and Libya grew after an appearance on Italian TV by Colonel Muammer Gadaffi in which the Libyan leader showed little regret for the murder in Tripoli last week of an Italian technician. Page 2

Nuclear showdown

The Soviet Union's green movement scored a notable victory, forcing the Ministry of Nuclear Power to abandon the half-built Crimean nuclear reactor and turn it into a training centre for nuclear engineers. Page 2

Czech clampdown

Czechoslovak police ordered foreign journalists to leave a central Prague square one day after an anti-government demonstration by more than 10,000 people. Page 2

Bulgaria to change

Bulgaria's hardline communist leadership pledged to implement more reforms, including a restructuring of government.

China attacks UK

China attacked Britain for opposing sanctions against South Africa at last week's Commonwealth summit, accusing it of hypocrisy in its support for human rights.

Khmer Rouge moves

The Khmer Rouge, the most powerful of three groups fighting the Phom Penh Government, says its guerrillas are advancing to capture the city of Battambang.

Burmese ferry sinks

A Burmese ferry carrying more than 170 people sank in bad weather near the mouth of the Irrawaddy river, killing four people and leaving more than 60 missing.

Inside pressure

Black nationalist leader Nelson Mandela, alarmed by the news that his favourite curry restaurant in Johannesburg may close before he leaves prison, has written to its owners expressing his dismay.

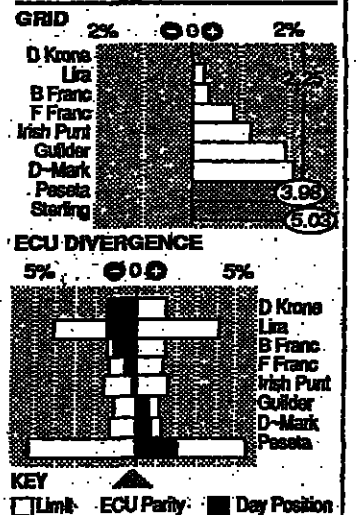
Business Summary

BNP prepares counterbid for Thomson finance unit

Banque Nationale de Paris (BNP), largest French state-owned bank, revealed that it is preparing a counterbid for Thomson CSF Finance, a division of the state-controlled defence and electronics company, only days after the group announced that it was on the point of agreeing to let Crédit Lyonnais take a majority stake, in a share exchange worth more than FFr5bn ($804m). Page 23

EUROPEAN MONETARY SYSTEM: Sterling's full membership of the EMS seemed to move further into the distance with the resignation of Mr Nigel Lawson as UK Chancellor, but fears that the pound's weakness would increase strains within the system were not realised. The lowest placed Danish krone stayed within its cross rate limit against the strong D-Mark, despite suggestions that funds moving out of sterling would be attracted to the West German currency. Page 32

EMS October 27,1989



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the lira and peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

RJR NABISCO, US tobacco and food group which is raising cash to cut its debt burden, is to sell three US confectionery businesses to Nestlé, the Swiss foods group, for $370m. Page 23

LOME: Ministers from the EC's 12 member states agreed on a broad common position on trade and aid to be put to the 66 African, Caribbean and Pacific nations. Page 2

MOBIL, second largest US oil company, announced it is cutting the workforce in its domestic exploration and production business. Page 23

GIOVANNI AGNELLI, Agnelli family's private holding company, repurchased the 23 per cent of IFI, Agnelli-controlled financial holding company, whose sale in June to Mediobanca for L303bn ($225m) was revealed less than three weeks ago. Page 23

SENATOR Robert Dole, Republican minority leader, broke ranks with the White House and expressed support for a petrol tax to boost spending on public works. Page 4

CAP Gemini Sogeti (CGS), Europe's largest computer services group, produced a more than 20 per cent increase in first-half profits and expects a rise of the same order for the full year. Page 23

SOUTH Korea renounced from January 1 its right under the General Agreement on Tariffs and Trade to impose restrictions on imports for balance of payments reasons. Page 4

PM unrepentant on resignation of Lawson ● Labour Opposition gains in opinion polls

Thatcher under pressure over style of leadership

By Philip Stephens and Michael Cassell in London

MRS Margaret Thatcher, the British Prime Minister, faced concerted pressure from within her Government yesterday to accept a more collective approach to policy-making.

However, she indicated that Mr Nigel Lawson's resignation as Chancellor on Thursday had not changed her stance on the *European Monetary System.*

Mrs Thatcher, in a television interview, appeared shaken but unrepentant over the circumstances leading to Mr Lawson's departure last week.

With opinion polls published at the weekend showing a strong lead by the opposition Labour party, she emphasised that her "strong leadership" would continue despite calls from cabinet colleagues - led by Sir Geoffrey Howe, the deputy prime minister - for a change in her style of Government.

Displaying flashes of anger at the suggestion that she could have avoided the clash with Mr Lawson, Mrs Thatcher refused to be drawn into criticism of Sir Alan Walters, the former economic adviser who was at the centre of the dispute.

Rejecting "tittle-tattle" surrounding his resignation, she said repeatedly that it was the job of "advisers to advise and ministers to decide.".

She insisted that Mr Lawson's position had been "unassailable" and that she had tried to persuade him to stay on.

But once he had made his decision she had no alternative but "to get on with the future."

Mrs Thatcher said that she favoured "a strong pound" and hinted that the Government might use both intervention and interest rates to prevent a precipitate fall.

Questioned closely about her attitude to the European Monetary System, the Prime Minister reaffirmed her pledge at the Madrid summit in June eventually to take sterling into the EMS exchange rate mechanism.

She emphasised, however, that such a move would depend on Britain's European partners meeting their part of the Madrid accord: by removing exchange controls and liberalising their capital markets.

"We shall go in when it is fair and under the same rules and under liberal economics to do so. . . We are far more *communautaire* in the way in which we run our trade and run our finance", she said.

The timing "depends on them. That depends on the gap between what they say and what they do."

The interview did little to dispel the impression that Mrs Thatcher sees little prospect of taking sterling into the exchange rate mechanism before the general election which must be held by mid-1992.

Her comments, however, came as several senior ministers delivered thinly-coded speeches indicating that after the truamas of the last few days Mrs Thatcher could no longer afford to avoid the advice of her cabinet colleagues.

The Labour party, meanwhile, will maintain its attack on the Government's economic strategy in a House of Commons debate tomorrow.

Mr John Smith, the shadow chancellor, last night said Mrs Thatcher had shown she was "flatly against" joining the ERM for the forseeable future and, possibly, until after the next general election.

In weekend speeches and interviews, Sir Geoffrey argued that that it was essential that the Government re-affirmed the Madrid commitment in order to maintain the confidence of its European partners.

He dismissed speculation that he might stand against Mrs Thatcher for the Conservative party leadership.

But he repeated his call for the Government to be more responsive to changing public opinion.

Mr Douglas Hurd, the new Foreign Secretary and a supporter of closer European integration, signalled his concern to play a central role in decision-making by saying that his relationship with Mrs Thatcher would be "loyal and co-operative" but not subservient.

Other senior ministers said the speeches had articulated the general view in the cabinet that if the Government was to recover its confidence Mrs Thatcher would have to agree to a "team approach" to policy.

Mr Michael Heseltine, the former Defence Secretary and a likely future challenger for the Conservative party leadership, said that he did not intend to stand against Mrs Thatcher "under any circumstances I can foresee."

He welcomed Sir Geoffrey's remarks underpinning Britain's commitment to join the ERM and said history would judge harshly anyone who prevented Britain from playing its full role in the "European adventure."

A number of Conservative backbench MPs voiced similar sentiments.

Sir Anthony Grant, member of executive of 1992 Conservative backbench committee, said: "We need a change of style in leadership. Priority now must be given to the advice from MPs and not the plethora of political advisers."

Sir Barney Hayhoe, a former minister, expressed concern at the influence of non-elected advisers, the "shadowy figures at Number Ten."

Treasury seeks to calm markets

By Simon Holberton, Economics Staff, in London

THE BRITISH Treasury moved swiftly yesterday to reassure financial markets that the Government's economic policies remained unchanged and that Mr John Major, the new Chancellor of the Exchequer, was a firm supporter of Britain's full membership of the European Monetary System.

The pound is expected to be the centre of attention in financial markets this week. It fell more than 2 per cent in value against all currencies after Mr Nigel Lawson's resignation as Chancellor last Thursday.

The presumption among analysts is that with Mr Lawson gone, the Government will have a higher tolerance for a weaker pound. But officials at the Treasury and the Bank of England said that Mr Major believed in a firm exchange rate. The Bank has not welcomed the recent fall in the exchange rate.

The Treasury said that Mr Major was committed to stage one of the recent report by Mr Jacques Delors, president of the European Commission, advocating economic and monetary union. He also stood by the agreement reached at the Madrid summit of European leaders in the summer to go ahead with this stage.

The Chancellor will face a tough first week in his new job. He has two important parliamentary debates to negotiate – tomorrow on the economy and on Thursday on European economic and monetary union – both against uncertainty in financial markets over the Government's economic policy and its standing in the electorate.

On returning to the Treasury on Friday, Mr Major said: "It's nice to be back; it's like coming home again."

The Chancellor worked all weekend on briefs bringing him up to date with the state of the economy and the public spending review which Mr Norman Lamont, the Chief Secretary, is arbitrating.

The public spending negotiations are still uncompleted. This will force the Treasury to defer from the first week in November until the second or third week of the month the annual Autumn Statement, in which the Chancellor sets out in the House of Commons the government's spending plans for the following year.

Treasury said the "Star Chamber" – the court of last appeal for determined spending ministers – was in place if agreement could not be reached. But it expressed the hope that ministers would not seek undue advantage from the political situation.

It dismissed press suggestions that the Chancellor planned a mini-Budget at the time of the Autumn Statement and ridiculed reports that Sir Terence Burns, the Government's chief economic adviser, would be sacked.

Mr John Shepperd of Warburg Securities, said: "What people want to know is that, if push comes to shove, will Mr Major raise interest rates to defend sterling?"

Mr Christopher Johnson, adviser to Lloyds Bank, said policy had been confused before Mr Lawson resigned and still was. He said he expected the foreign exchange markets to test the pound, but that the Bank of England would intervene to support it. A rise in interest was not expected.

Skirmish before Strasbourg, Page 9

Chancellor to set out position over EMS

By Our Political Editor, in London

MR John Major, Britain's new Chancellor of the Exchequer, has the unenviable task this week of persuading financial markets that Mr Nigel Lawson's abrupt resignation will not lead the UK Government effectively to abandon its commitment to the European Monetary System.

The comments yesterday by Mrs Margaret Thatcher are unlikely to make his job any easier.

Though she re-affirmed her pledge at the Madrid summit of European leaders in June eventually to take sterling into the exchange rate mechanism, the Prime Minister demonstrated little enthusiasm for the system.

Mr Major, who will set out his own views this week, (tues) has so far avoided any public statements on the issue.

During two years at the Treasury as Chief Secretary and his brief spell at the Foreign Office, however, he is thought to have established a stance which puts him somewhere between Mrs Thatcher and Mr Lawson.

He is said to be in favour of full membership, but not to regard the EMS as either a panacea or an automatic substitute for national economic management.

While he does not share Mrs Thatcher's instinctive view that it is impossible to "buck the market," he is unlikely to want to be "boxed in" to a rigid EMS timetable.

What is not at issue between virtually anyone in the opposing camps within the Government is whether Britain should begin negotiations immediately to take sterling into the system.

The call at the weekend by Sir Geoffrey Howe, the Deputy Prime Minister, for a re-affirmation of the Madrid commitment was designed to signal that the pledge must not be forgotten or abandoned rather than to force the issue now.

He, like many of his colleagues, believes that Mrs Thatcher, if she is allowed to, will delay indefinitely membership of the exchange rate mechanism.

Mr Major's attitude to the controversy is likely to be based on the dispassionate and cautious approach that has characterised his political career. Britain should and will play its full part in the system

Continued on Page 18

Gonzalez heads for a return to power

By Peter Bruce in Madrid

MR Felipe Gonzalez, Spain's Prime Minister, was last night almost certainly returned to power after all exit polls predicted an absolute majority for his Spanish Socialist Worker's Party in the Cortes (parliament).

The national television network gave the socialists between 177 and 180 seats, down from the 184 it won in June, 1986. Spain's biggest commercial radio network, SER, gave Mr Gonzalez between 176 and 182 seats. The parliamentary majority would be secure at 176 seats.

All the polls pointed to a spectacular recovery in the fortunes of the communist-led Izquierda Unida (IU), which SER said had won between 20 and 26 seats, about three times the number it won in 1986.

The IU thus becomes the third biggest party in the country, displacing former Prime Minister Adolfo Suarez' *Centro Democratico y Social* (CDS), which the polls said had won between 11 and 16 seats. The CDS won 19 seats in 1986.

The main opposition party, the right wing *Partido Popular*, also fared badly, according to the polls, losing between eight and 14 of its 105 seats won in the last general election.

The polls pointed to the third successive majority victory for Mr Gonzalez, who has been chased hard in the last two weeks of the campaign by the IU. The polls also forecast that the Socialists would continue to hold the middle ground in Spanish politics at the expense of both the PP and the CDS.

Nevertheless, the communists have been able to make a great deal of ground on the left, accusing the Socialists of failing to redistribute fairly the wealth generated in the last three years of the country's economic success.

GM plans new engine plant in Europe, possibly with Jaguar

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS, the US vehicle maker, plans to build a new engine plant in Europe, probably in the UK or in West Germany.

It is also in separate talks with Jaguar, the UK luxury carmaker, on building an engine plant as one of its proposed manufacturing joint ventures with the British group. It is possible that the two projects could be combined.

Separately yesterday, Mr Edzard Reuter, chairman of the executive board of Daimler-Benz, disclosed that the West German group had held collaboration talks with Jaguar.

The proposed GM engine plant would build a new range of V6 engines aimed at strengthening its presence in the top end of the European executive car market.

The main competing locations are Ellesmere Port on Merseyside in north west England, where Vauxhall, GM's British subsidiary, assembles its Astra small family car range, and Kaiserslautern in West Germany, where Opel, GM's West German subsidiary, builds engines, gear boxes and other components.

GM Europe has no V6 engine in its range at present, and the company needs a new power unit for its top of the range cars where the present Opel-Vauxhall Senator has proved a disappointment for GM since its launch in 1987. It sold 10,400 units in the first nine months of 1989 compared with 13,600 in the same period last year and 16,300 in the whole of 1988.

A new plant could also supply the V6 engines for GM's proposed joint venture with Jaguar which is aimed at taking the UK company into the executive car sector.

GM is in the final stages of friendly negotiations on a series of far-reaching "manufacturing, marketing and other commercial joint ventures" with Jaguar and an announcement is expected shortly.

As part of the proposed agreement GM would eventually take a substantial minority stake in Jaguar, but less than the 30 per cent that would trigger a full bid. GM received clearance last Friday from US anti-trust authorities to start buying shares in Jaguar.

GM's planned co-operation with Jaguar is under pressure from Ford, its US rival, which has built up a stake of more than 13.2 per cent and said it was prepared to launch a bid for 100 per cent, once shareholding restrictions in Jaguar's articles of association were lifted and the UK Government's golden share expired at the end of 1990.

Mr Reuter of Daimler-Benz said he had held talks with Jaguar about possible joint ventures. "We have been talking with Jaguar for quite a long time about the possibilities of co-operation in certain well-defined fields," he said in a UK television interview.

He implied Daimler-Benz would be scared off by the apparently "enormous price" that Ford would be willing to pay for a takeover of Jaguar.

CareerChoice

THE Financial Times 64-page survey Career Choice, to be published on Wednesday, will be indispensable for parents and students. It will:

■ Draw on the FT's reservoir of knowledge about the world of work to examine prospects in more than 50 areas — from banking and zoology to social work and architecture.

■ Tackle issues too often kept under wraps. Do certain employers rely on the "old boy network"? Where are women discriminated against?

In addition to appearing with every FT, 150,000 copies will be distributed to universities, polytechnics and colleges throughout Britain and six universities in continental Europe.

The survey will include a four-page guide to the FT, describing the newspaper's editorial philosophy, the breadth of its news and feature coverage and how to find your way around its pages.

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Czech protest fails to involve silent majority

By Leslie Colitt in Prague

"CZECHS come here," thousands of demonstrators in Prague shouted, as they gathered under St Wenceslaus monument on the huge square named after him.

But bystanders, who greatly outnumbered the protesters, did not join in Saturday's protests on the 71st anniversary of Czechoslovakia's independence. There was no solidarity between militant young opponents of the leadership and the vast majority of onlookers in Wenceslaus Square. Their sympathies lay with the protesters but they knew the time was not yet ripe.

The demonstration of nearly 2,000 people was repeatedly charged by riot police wielding batons. The official news agency CTK said 355 people were detained and seven injured.

The protest in Prague threw a sharp light on the difference between the sporadic actions by the tiny Czechoslovak opposition and the daily mass protests taking place in East Germany. Normally passive East Germans underwent a catharsis earlier this month, triggered by the exodus of tens of thousands of citizens to the West, while Mr Erich Honecker, the former leader, refused to acknowledge that anything was amiss. The conservative Czechoslovak leadership, on the other hand, liberalised travel to the West earlier this year – for those with hard currency – and rushed consumer goods into the shops. But the longer-term prospects of the economy are bleaker than ever.

One of the first banners to be unfurled on Wenceslaus Square by the protesters was "Truth will prevail", the battle cry of Jan Hus, the Protestant reformer, and the motto of Dr Tomas Masaryk, the first Czechoslovak president. Masaryk's name was frequently chanted, along with that of Mr Vaclav Havel, the playwright and spokesman of Charter 77, the human rights group, which called the demonstration. Mr Havel was in hospital, after being picked up by the police, who ordered all prominent dissidents out of Prague for the anniversary.

"Remember, Havel is more famous in the West than here," one middle-aged engineer, watching the demonstration, noted. What was most important, he said, was the inexorable decline of the economy, which, he predicted, would be the leadership's downfall.

A retired deputy director of the Czechoslovak natural gas pipeline company watched the demonstrators regroup on Republic Square, after being driven from Wenceslaus Square by the riot police. He forecast that the present leadership had, perhaps, one or at the most two years left before being swept away. But it would be non-violent in the "Czechoslovak tradition", he said.

Near Old Town Square, where several hundred demonstrators chanted "Freedom and democracy", a line of grey uniformed workers' militia manned a barrier across the street leading to the square. One of the militiamen, a man of about 30, recognised an old acquaintance from school on the other side of the barrier.

"How much do you earn standing there?" the militiaman was asked.

"Everything I make I earn with my hands," he replied. The crowd behind the barrier burst into laughter. It was one of the few light moments of the day.

A former member of the Communist Party, who was expelled after the Soviet-led invasion of Czechoslovakia in 1968, debated with the militiamen and expressed sympathy for the demonstrators. One militiaman said: "What do you want? Conditions like in Poland or Hungary?" The man replied: "This is Czechoslovakia. We have our own traditions."

Hungarian party urges privatisation as part of economic programme

By Judy Dempsey in Budapest

HUNGARY'S Association of Free Democrats, one of the parties that will contest next year's free parliamentary elections, yesterday unveiled an economic programme aimed both at privatisation and supporting the less well-off.

The package, debated at the AFD's annual congress, includes:

- Re-allocating expenditure from loss-making enterprises to small, profit-making companies.
- The abolition of the dominant role of state property.
- Easier access to credit to private companies, though no substantial reduction in company taxes.
- Establishment of pension and insurance funds by enterprises and municipalities; these would help broaden share ownership and ease the strain on the national budget.
- Indexation of pensions/salaries for the poor and those with the lowest incomes.

The AFD also adopted a seven-point political programme which envisages the de-politicisation of the army and police.

It also wants the current parliament to take an early decision on the date of legislative elections.

Parliament will today decide whether to hold a referendum on the controversial question of how the next president will be chosen.

The AFD has gathered 200,000 signatures to back its campaign for the new head of state to be chosen after next year's parliamentary elections – and preferably by parliament – instead of by universal suffrage next month, as currently planned.

EC ministers agree Lomé proposals

By Lucy Kellaway in Luxembourg

MINISTERS from the Europe Community's 12 member states agreed yesterday on a broad common position on trade and aid to be put to the 66 African, Caribbean and Pacific (ACP) nations.

ACP representatives were last night considering the proposals, which would extend somewhat their access to European markets and entitle them to a variety of support packages, under a new agreement to succeed the third Lomé Pact which expires in February.

Despite a weekend of talks, the European side by yesterday evening had still not agreed among themselves on the central question of the value of the whole package.

Diplomats said this could not be broached until an agreement had been reached with the ACP on the broad framework of the deal.

Any such discussions were expected to be difficult, with the positions of European countries some distance apart.

The UK is believed to want a low figure of around Ecu 8.8bn (£6.3bn) while France would prefer a package worth more than Ecu 12bn.

The French Government is still hoping to see a fourth Lomé convention signed before its presidency expires in December. Some diplomats said yesterday that a common European position on trade was a breakthrough.

The Mediterranean countries had previously threatened to withhold their support from any agreement which gave better access to their markets from ACP countries in agricultural products.

Moscow abandons work on Crimean reactor

By John Parker in Moscow

THE Soviet Union's green movement has scored another notable victory, forcing the Ministry of Nuclear Power to abandon the half-built Crimean nuclear reactor and turn it into a training centre for nuclear engineers.

The announcement follows the news last week that construction of nuclear reactors at Smolensk and Kursk in central Russia had been stopped. Both reactors were built to the same design as that used at Chernobyl, the scene in 1986 of the world's worst nuclear accident.

The scrapping of all three plants is part of a widespread reassessment of nuclear-energy policy in the wake of controversy over Chernobyl.

Last year, construction at six other reactors was stopped. The state committee on nuclear safety has said that the fate of 12 more reactors is in the balance.

The Crimean reactor is built in an earthquake zone and since Chernobyl the Crimean authorities have been inundated by protests.

Last January, in a letter to Pravda, the Communist Party daily, 10 eminent scientists wrote a devasting assessment both of the plant and of the ministries responsible for it. They criticised the designers for underestimating the chances of a strong earthquake.

Similar fears prompted the closure last year of reactors in both Armenia and Azerbaijan, causing energy shortages in both republics.

Vlasi trial to open in Yugoslavia

THE trial of Mr Azim Vlasi, former party leader of Yugoslavia's southern province of Kosovo, is due to open in the town of Titova Mitrovica today, despite misgivings from other republics, Judy Dempsey, recently in Belgrade, reports.

Mr Vlasi, with 14 other ethnic Albanians, has been accused of "counter-revolutionary" activities, and allegedly fomenting the strikes which took place in Kosovo last March.

The strikes, in which 26 people were killed, followed sweeping amendments to the Constitution of Serbia which granted the republic virtually full control over Kosovo and the province of Vojvodina.

It is uncertain how long the trial will last. Attempts had been made to pardon Mr Vlasi. But it seems Serbia blocked this suggestion.

Rome fears effect of EC failure on taxes

Ciampi: policy speech

THE BANK of Italy's concern that the European Community's failure to harmonise taxes on capital gains could push interest rates still higher in Italy was reflected in a speech by Mr Carlo Azeglio Ciampi, its governor, on Saturday at the annual meeting of the Forex Club in Rome, writes John Wyles.

The central bank regards the minimal chances of an agreement on tax harmonisation as a breach of commitments made at the informal meeting of finance ministers a year ago.

However, the absence of an agreement will not alter Italy's determination to abandon all restrictions on capital movements and to move the lira into the European Monetary System's narrower 2.5 per cent oscillation band from July 1 next year. Until now, it has been permitted a 6 per cent margin of fluctuation.

Mr Ciampi said the effect of different policies for taxing capital gains will be to expose the Italian current account and monetary policy to new pressures. "The cost of not moving towards monetary co-ordination and fiscal harmonisation in Europe will be the risk of pushing interest rates upwards in countries which are trying to avoid or to compensate for distortions in capital flows."

Rome fears the treasury will ultimately be forced to align with the most liberal regimes on the taxation of capital gains. This could mean abandoning the 30 per cent tax on bank deposits, with a consequent loss of revenue and widening of the budget deficit.

Appointments to Italian state companies delayed

By John Wyles in Rome

DIVISIONS in Italy's dominant Christian Democratic (DC) Party have forced Mr Giulio Andreotti, the Prime Minister, to postpone appointment of new presidents for Italy's leading state holding companies.

He had hoped that a list of nominations he had agreed with Mr Bettino Craxi, the Socialist Party leader, would be adopted by the cabinet last Friday.

However, strong opposition from the DC left, led by Mr Ciriaco De Mita means a formal decision will not now be taken before next Friday.

This means the Craxi-Andreotti list could well be overturned by the Rome city council elections which close today. Any loss of votes by the DC will be seen as a defeat for Mr Andreotti, whose faction controls the Rome party.

Until the end of last week, it appeared that Mr Franco Viezzoli, the chairman of Enel, the state electricity authority, would succeed Mr Romano Prodi as chairman of Iri, the largest state holding company, and Mr Lorenzo Necci, president of Enimont, the public-private joint chemicals venture, would take over at Eni, the state energy group, in succession to Mr Franco Reviglio. The Prodi-Reviglio mandates expired yesterday.

Nominations to these two posts have enormous symbolic as well as business importance, in determining whether the politicians will be able to exercise more direct control over the managements than during the past seven years that Messrs Prodi and Reviglio have been in office.

After the professors, Page 16

Gadaffi remark over murder raises tension

By John Wyles

TENSION between Italy and Libya heightened at the weekend after an appearance on Italian television by Colonel Muammer Gadaffi in which he showed little regret for the murder in Tripoli last week of an Italian technician.

The Libyan leader's remark in the transmission late on Friday night that he hoped that the dead man, Mr Roberto Ceccato, had had life insurance, has outraged many Italians. It is generally believed throughout the country that the murder of the 35-year-old father of a young child was connected to the climate of anti-Italian feeling fomented by Col Gadaffi.

He continues to demand compensation for Italy's occupation of his country from 1911 to the end of the Second World War, claiming that a \$6.7bn (£4.2bn) settlement in 1956 was inadequate for the deportations and deaths inflicted on Libyans.

Mr Gianni de Michelis, Foreign Minister, said on Saturday that even if the first reaction to Col Gadaffi's statements was one of repulsion, "the Government cannot abandon itself to emotional reactions, even if understandable, in the face of serious and irresponsible statements". In Italy the affair is seen as a further blow to the long-standing Italian policy of seeking a dialogue with Col Gadaffi.

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Ortega threat to Contras likely to stir US anger

By Lionel Barber in Washington and Tim Coone in San José

PRESIDENT Daniel Ortega's threat to end the 19-month-long ceasefire with the US-backed Nicaraguan Contra rebels seems certain to rekindle support in the US Congress for the embattled resistance.

Both Democrat and Republican leaders yesterday condemned Mr Ortega's threat and said it could jeopardise the Sandinista government's pledge to hold free and fair elections in Nicaragua next February.

Mr Ortega made it clear in San José that the measure was calculated to draw attention to the approaching December 5 deadline by which time the 12,000-strong, US-backed Contra army based in Honduras is to be demobilised. Contra leaders refuse to accept the demobilisation agreement reached by the five Central American presidents last August. The announcement appeared to be aimed at breaking a political deadlock with the US rather than at intensifying the eight-year war.

Senator George Mitchell, Democratic majority leader, said the Sandinista leader's remarks were "very unwise, particularly in the timing". He said he would honour the commitment to continuing US humanitarian aid to the Contras until after the elections.

Under an agreement between the Bush administration and the Democratic majority in Congress earlier this year, the US cut off military aid to the Contras. But the US continued humanitarian aid such as boots, medicine and clothing, subject to congressional approval at the end of November.

Ortega: threat aimed at breaking deadlock

Congress, tired of eight years of wrangling over Contra aid, only barely approved $9m (£5.7m) in US aid to the Nicaraguan opposition for the elections. It might just conceivably have vetoed or cut humanitarian aid next month in order to speed the disbanding of the resistance, but this now looks extremely unlikely, as conservatives argue that the Sandinistas cannot be trusted.

Approximately 2,000 of the Contras are active inside Nicaragua and in recent weeks have stepped up attacks against both the army and rural civilian settlements considered loyal to the government. Nine days ago 19 army reservists will killed in an ambush as they travelled to register themselves to vote for next February's elections. Last Thursday two municipal candidates of the Sandinista party were killed in an ambush.

"We cannot maintain the ceasefire in these circumstances. We have to protect the lives of Nicaraguans and to guarantee the electoral process. The US has made no firm commitment to demobilise the Contras and we are coming to the conclusion that with the ceasefire we have tied our hands," said President Ortega. He said 3,330 people have been killed, wounded or are missing since the ceasefire first came into force in April 1988.

The White House appeared jubilant about Mr Ortega's threats, which one Nicaraguan official said were aimed at putting pressure on Congress to cut off aid. "We're incredulous that he made such a blunder," said Mr Marlin Fitzwater, Mr Bush's press secretary.

Senator Robert Dole, Republican minority leader, said he would introduce a resolution denouncing Mr Ortega next week. But he did not hold out any prospect of a renewal of US military aid to the Contras.

Costa Rica's birthday party upstaged by Nicaragua

Tim Coone on the San José anniversary summit

GRACIAS. Thank you very much. Gracias," crackled the metallic, disembodied voice of President George Bush over a loudspeaker mounted on his black limousine. As his motorcade sped through the streets of San José on its way to the airport, Costa Rican schoolchildren cheered and waved.

But the circus has left town and there is now only the litter to show for it.

Mr Bush was the biggest VIP to attend the hemispheric summit convened to celebrate 100 years of Costa Rica's democracy by President Oscar Arias, which brought together 16 heads of state from the Americas. To Mr Arias' mortification, however, the birthday party was upstaged by the continuing crisis in relations between the US and Nicaragua.

The refusal of Mr Bush to meet his Nicaraguan counterpart to discuss their differences overshadowed the main themes of the summit – the six "Ds": debt, disarmament, drugs, democracy, deforestation and development. President Daniel Ortega said "These were talked about, but we added two more – Demobilisation of the Contras and Dialogue."

Nicaraguan efforts to set up a Bush-Ortega dialogue, with support from Venezuelan President Carlos Andrés Pérez came to nothing, although there was a brief encounter on Friday at which Mr Ortega apparently asked Mr Bush: "You are talking to the Soviets so why are you not talking to us?"

That evening, he announced an end to the unilateral ceasefire in Nicaragua against the US-backed Contras. He said he chose the occasion to do so because of a recent upsurge in attacks by the Contras, their unwillingness to be demobilised and the lack of international concern over the faltering peace plan agreed between the five Central American presidents last August.

"There is a commitment by the Central American presidents to demobilise the Contras by December 5. But there is no international pressure to ensure that this is complied with. Instead there is a sense of tolerance, of tranquillity. The Nicaraguan people are paying the cost of that."

He said Nicaragua had suffered 3,330 casualties, including dead wounded and missing, since the ceasefire was first declared in April 1988, and the Nicaraguan electoral process was now being threatened by the Contra attacks.

He offered to renew the ceasefire if the US Congress decided to rechannel humanitarian aid earmarked for the Contras, and to use it instead for their demobilisation.

All the goodwill of the summit that was apparent earlier evaporated. Mr Bush labelled Mr Ortega as a "little man and an outcast" and warned him not to end the ceasefire. Mr Ortega responded: "The US government is financing terrorist actions in Nicaragua. This has to stop."

Even an informal meeting to discuss a unified Latin American response to the collapse of the international coffee agreement broke up with only a vague commitment to hold future talks.

Colombia apparently presented a proposal on quota reductions without first discussing it with Brazil. President José Sarney of Brazil departed on Friday night after making an impassioned speech in favour of more radical and rapid relief of the continent's debt burden.

Mr Bush said later, "I can identify with that", but added: "I feel encouraged by the widespread support expressed for the Brady Plan."

If anything has been achieved, it is perhaps that Mr Bush now has a clearer appreciation of Latin America's problems, presented directly to him by the leaders of the continent. He has promised to build a new relationship with Latin America and Friday's announcement of an agreement to relieve Costa Rica of $1bn (£635m) of its commercial bank debt indicates a new mood in Washington on that issue at least.

The lack of any agreements of more substance may be due to the hasty preparations for the summit. Even the mortar between the bricks was still drying in the newly-inaugurated Democracy Plaza in San José yesterday.

As balloons and white doves were released into the air, Mr Arias said in his farewell speech to the visiting leaders: "We did not gather here to sign declarations which will be forgotten as soon as they are written. We have come to proclaim a new spirit [In relations]."

But as the presidential motorcades then sped to the airport, one was left wondering whether this was really what the summit will be remembered for.

FT reporters look at the background to the Brady plan debt deal for Costa Rica

Country's importance far exceeds its size

By Stephen Fidler, Euromarkets Correspondent

THE agreement in principle between Costa Rica and its commercial bank creditors, announced with fanfare in San José on Friday, is the third under the new international debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady.

As the US administration has suggested all along, it shows there is no Brady blueprint. There are some similarities with its two predecessors, deals for Mexico and the Philippines, neither of which is yet completed; in other respects, the proposals differ significantly.

Costa Rica has for some time had an importance in the international debt strategy which far exceeds its size. With bank debt of some $1.5bn, about one third of total foreign debt, Costa Rica would not normally be a priority for international banks.

That it is third in line for the Brady treatment shows in large part the country's importance in terms of foreign policy, as a close political ally to the United States in Central America. Only a few optimists believe that it heralds a generally better deal for the smaller debtors which have been forgotten in the attempts to manage the problems of larger brethren with the relative good fortune to threaten the stability of the international banking system.

Costa Rica was one of the first countries to begin negotiations to buy back debt at a discount, but talks were eventually scotched by opposition from leading bank creditors and a lack of support from the US Treasury.

Around the time of the Treasury's conversion to the virtues of debt relief earlier this year, the country was the first beneficiary of the International Monetary Fund's new policy of making loans to debtors in arrears to bank creditors, where the arrears were considered justified.

In the case of Costa Rica, the IMF believed the banks had dragged their feet in coming to an agreement and that Costa Rica's economic policies were good enough to expect creditor support.

The new agreement has been four months in the making, and it could take three weeks or more before a final definitive agreement is reached. Final signing of the deal is hoped for early in the new year, before February's elections.

A central issue for the seven-bank advisory committee, led by Bank of America, was how to resolve the problem of the country's arrears which have built up since 1986 to $325m.

The official line of the banks, which have been aware of the precedents that might be set for the larger highly-indebted countries, is that Costa Rica is a special case, and that under usual circumstances, arrears to banks will normally block negotiations over a debt relief package.

More practically, they have negotiated less favourable treatment from Costa Rica's point of view for the unpaid interest than for the rest of the debt.

This element of the agreement, meant to act as a practical disincentive to other countries considering arrears, was perhaps the single most difficult issue to resolve in the talks.

The deal, which also attempts to give incentives to banks to write down significant portions of their debt, is this:

Banks will be invited to tender their loans for cash at a price to be announced by Costa Rica, which is expected to be close to the current secondary market price of just under 20 cents on each dollar of debt owed.

The debt not tendered will be converted into bonds with a 6¼ per cent annual coupon. The past due interest will be treated differently: as the buy-back and debt swap take place, Costa Rica will make a 20 per cent immediate down payment on the (written-down) back due interest, paying the rest over 15 years with no grace period and at a floating interest rate of ⅛ percentage point over money market rates. That will cost it an estimated $25m immediately.

Banks tendering 60 per cent or more of their exposure are differentiated from the others. Their 6¼ per cent bonds will carry a shorter maturity (20 years with 10 years' grace) and a one-year interest guarantee, while their back interest will carry a three-year rolling interest guarantee.

Those tendering less than 60 per cent will get no guarantees, and the 6¼ per cent bonds will carry a 25-year maturity and 15 years' grace before principal repayments start.

Debt conversion rights are also included, with $20m a year of bonds being exchangeable into local currency investments over a five-year period. There is also a value recovery programme, in which the bonds' value will increase if the country achieves yet to be determined economic growth targets.

Official support for the programme covering the cost of the buy-back is $188m and for interest guarantees $65m. Of this, some $53m is provided by the IMF and $50m by the World Bank.

Most of the rest is expected to come from bilateral aid, including Japan, Taiwan, and the US, with funds from one or two European countries possibly being made available.

According to Mr Oscar Arias, the country's president, this could cut the country's bank debt by two-thirds and its interest bill to banks by the same proportion, to $50m. A further $9m a year will be needed to service the IMF and World Bank funds used in the programme.

Agreement 'shows that Brady plan is working'

By Peter Riddell, US Editor, in Washington

THE Costa Rican debt agreement is regarded by the US Treasury as extremely important for the Brady plan, though not in any way as a blueprint for other debtor countries.

The treasury has been keen for another agreement, not least to answer the doubts about the debt reduction plan of Mr Nicholas Brady, the Treasury Secretary, which were expressed at the International Monetary Fund and World Bank annual meeting five weeks ago.

In the eyes of treasury officials, the Costa Rican agreement with its bankers demonstrates that the plan is still moving along in a variety of different countries. One senior official said it was particularly important as Costa Rica was a small debtor – not even one of the original 15 countries covered by the 1985 plan of Mr James Baker, the then Treasury Secretary, and not an obvious beneficiary like Mexico or Venezuela.

The official added that the Costa Rican deal showed the flexibility of the Brady plan – the way in which it was being applied on a case-by-case basis between individual countries and their bank creditors.

Another US official described this as a Brady plan in reverse; the good performance coming before rather than after debt reduction.

Under President Oscar Arias, Costa Rica has become a close ally of the US. It was no coincidence that the debt agreement was announced as President George Bush arrived in San José last Friday for the centenaryof democracy in the country.

The US believes other agreements in Latin America will follow soon. US officials are keen to deny suggestions that any threats have been made to banks about what will happen if they do not co-operate in the debt strategy.

None the less, they believe that the alternatives, both for debtor countries and creditor banks, are less attractive (in the form of defaults and lower values) or unlikely (given the unavailability of public money for new facilities).

OVERSEAS NEWS

Progress to single market in energy proves slower than expected

The potential benefits may be greater than in any other area, but the obstacles seem to be greater still, Lucy Kellaway reports

IF THERE were a single market in energy, Europe *would be much richer*, and considerably cleaner. If electricity companies could be made to trade freely with others, *by the turn of the century* Europe would be saving Ecu5bn (£3.5bn) a year, and generating costs could be some 16 per cent lower.

Armed with such statistics and with an ambitious reforming zeal, Mr Antonio Cardoso e Cunha, Commissioner for Energy, has spent the past year trying to make member-countries take their first steps towards competition and co-operation in energy. Progress is proving slower than he can have bargained for. The potential benefits of creating a single market in energy may be greater than in almost any *other area, but the obstacles* seem to be greater still.

At a meeting in Luxembourg today, the 12 member-states will be asked to agree on four relatively modest measures, none of which amounts to a great competitive leap in itself. Each, however, is fraught with difficulties, and any advance is going to mean finding some way of reconciling starkly opposed national interests.

France wants to sell its cheap nuclear power; West Germany wants to protect its *strong utilities*; the UK is constantly looking over its shoulder to check that the measures do not clash with its own efforts to open up its domestic market; while more or less everyone is concerned about giving up too much power in such a sensitive area to Brussels.

Of the measures up for discussion, the least contentious was supposed to be a simple amendment to an existing rule that requires countries making large energy investments to tell the Commission first. The new version would make the notification take place earlier, while there is still time to change the plans, and would allow Brussels to inform other countries.

There would be no obligation on the investor to rethink his plans. The aim would be to improve the flow of information so that countries become less likely, say, to build a costly power station near a border, when a deal with a neighbour would have been much more efficient.

Member-countries, however, do not see it that way, and at least half of them are violently opposed to the idea. The industry is frightened that sensitive feasibility plans will get into *the hands of the competition*, while most governments are suspicious at what they see as unwelcome interference from Brussels. Unless substantially changed, this proposal is not likely to make it through.

The other proposals are more likely to succeed eventually, but much more work will need to be done. The first is *designed to make the prices* that big industrial customers pay for their gas and electricity transparent. Price transparency is seen as a prerequisite for any kind of competition to take place, and was cited by the Commission last year as a priority area for action.

Under the proposals, utilities would submit to Brussels, twice a year, electricity prices charged to large customers, and experts in the Commission would subsequently publish average prices. The plan is nothing like as onerous as that forced on British Gas last year by the Monopolies and Mergers Commission (MMC), which it *claimed would knock up to* £100m off its profits.

British Gas has been forced to publish a tariff schedule of prices, complete with discounts offered – a more powerful disincentive to overcharging than the weaker European version. Despite the weakness of the plan, Bonn has complained that it runs counter to its strict laws on commercial secrecy, and is in any case unnecessary, as it already has a voluntary system.

A more important pair of measures would allow big electricity and gas companies to transmit energy though networks in another company. This is a small step towards "common carrier" – under which utilities make their networks available to all comers at competitive prices – and is in any case already required under the Treaty of Rome. But it is nevertheless a long way from agreement.

The main beneficiary of trade in electricity would be France, which could sell its cheap nuclear energy to Portugal, which is short of its own capacity, and to Germany, *where electricity costs* are much higher than in France. The chief loser – and hence most vigorous opponent of the scheme – would be Spain, which now supplies Portugal.

For gas, the question is rather different, as gas already flows across borders in a way that electricity does not. However, here again the issue has run up against problems, as the Netherlands and Germany, which together control the European gas market as suppliers and transporters respectively, do not like the idea of losing control to Brussels.

A graver problem though, is whether taking this step forward on transit is going to commit Europe one day to common carriage.

The Commission would like to see it that way, but some members are trying to make it a condition of their acceptance that no link is made between the two. This seems to be the crux of the problem. Members are digging in their heels over these small measures as they are worried about the bigger ones to come.

1992 THE EUROPEAN MARKET

Creating a single market in energy is different from creating one in almost any other product, not just because of the technical and practical differences between national markets, *but because of the political* ones, too.

The Commission has made it clear that if there is to be one energy market, there is no point in having 12 different energy policies. But any moves to bring energy policies closer together are likely to meet *strong resistance*.

It took 18 months of tough negotiations three years ago to establish the present guidelines on overall imports of energy into the Community and on diversity of fuel supplies.

Members can simply ignore those targets if they choose to; negotiating anything more *binding would be considerably* more difficult. Undaunted, Brussels is thinking in ambitious terms, not just looking towards 1992, but well into the next century.

Last month, it published a green paper on a long-term energy policy for Europe, which addressed the energy needs of the Community to 2010, and which asks whether existing policies could meet those needs without endangering either economic growth or *the environment*.

The document was evidently designed to offend nobody, carefully avoiding the political minefield of choosing between fuels, or making any explicit recommendations.

However, the message of the paper was quite clear: if economic growth over the next decade is higher than expected, present Community energy policies would produce a rise in emissions, little if any progress on energy saving, and higher energy prices. The answer, it would seem is a complete energy package, of which an internal energy market, with all its savings, is only *the beginning*.

In this energy utopia, all the most difficult parts of 1992 would have been achieved – competitive public procurement and fiscal harmonisation would be a reality. There would be mandatory technological progress forced on members, a commitment to reduce the use of fossil fuels, a relaunch of nuclear power after 2000, and much stricter environmental protection. That is the distant dream.

The immediate reality, to be demonstrated today, is rather more modest. After a certain amount of to-ing and fro-ing, ministers are likely, if nothing else, to agree on one thing: a new energy technology fund called "Thermie", with a budget some 12 per cent higher than the scheme it replaces.

Fresh rebel rocket attacks on Kabul

By Christina Lamb

MORE than 35 rebel rockets hit Kabul this weekend in an attack diplomats described as one of the biggest since Soviet troops pulled out of Afghanistan in February.

Government soldiers confimed claims by guerilla sources in Islamabad that the rebels control stretches of the vital Salang highway, Kabul's lifeline which runs to the Soviet border. The threat of a mujahideen ambush has prevented a convoy of more than 1,000 trucks carrying food and fuel to the capital.

Mr Mohammad Amani, the Afghan government spokesman, said Kabul forces had used two devastating Soviet *Scud missiles in the battle for* the highway on Friday and bombed rebel positions on the road.

IATA ANNUAL MEETING

Airlines report record profits

By Paul Betts, Aerospace Correspondent

THE world airline industry has had the best financial year in a decade, but is becoming increasingly concerned about the financial impact of airspace and airport congestion on operations.

These worries are expected to be highlighted in Warsaw today by Mr Gunter Eser, the *director general of the International* Air Transport Association (IATA), at the organisation's annual meeting.

"Airspace and airport congestion remain the most pressing problem facing the industry," warns Mr Eser in the latest IATA annual report, adding that inadequate airport capacity will be the main factor *limiting progress and* growth in Europe.

A task force set up by Mr Eser last year has already identified 35 congested airports in Europe, of which seven, including *London*'s Heathrow airport require urgent action.

Although growing airport and airspace congestion problems are clouding the industry's future, the 187 IATA member and associate member airlines had a bouyant financial *year in 1988 with* air travel demand showing steady progress, average yields rising and costs increasing more slowly than in the previous year.

The collective operating profits for both international and domestic services of IATA member airlines rose by 29 per cent to $6.2bn last year from $4.8bn the previous year and $2.*7bn in* 1986.

Operating revenues rose to $125.1bn last year from $107.8bn the year before and $89.1bn in 1986.

The IATA report shows that the airlines' passenger load factor rose by only a modest 0.6 per cent last year as a result of a significant increase in capacity offered. A total of 632m passengers were flown last year by IATA members, 2 per cent more than in 1987.Charter traffic, however, showed an average 2.1 per cent decline last year.

Passenger and freight traffic on international services are both expected to show an average annual growth of about 7 per cent during the 1989-£93 period, according to the latest IATA statistics. Worldwide international scheduled passenger traffic growth is expected to be 8 per cent or more next year, settling down to 6.5-7 per cent in 1991-93.

Bennigsen-Foerder, Veba chief executive dies at 63

By Andrew Fisher in Frankfurt

MR RUDOLF von Bennigsen-Foerder, the chief executive of the Veba energy conglomerate and one of West Germany's best-known businessmen, died at the weekend at the age of 63 after contracting pneumonia.

He had been at the head of Veba for 18 years and built up a reputation as the *éminence grise* of industry in the state of North Rhine-Westphalia. Veba, based in Düsseldorf, is the largest energy concern in Germany and ranks among the country's 10 largest corporations in sales terms.

Mr von Bennigsen-Foerder, scion of a Hanoverian family which can trace *its* family tree back *to the year 1200*, had recently taken Veba into highly expansive new directions.

In May, it paid DM1.3bn for just under half of the shares in Feldmühle Nobel, the diversified industrial group *which* had previously been the subject of a hostile takeover attempt.

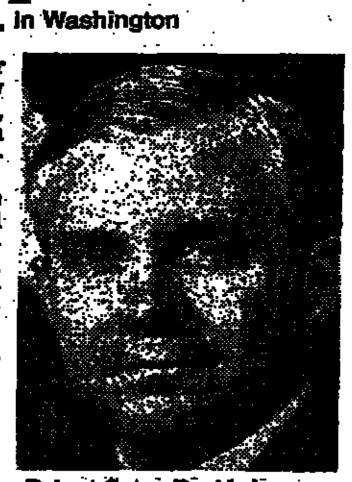
Veba has also been moving deeper into the freight business – it has just bought 22 per cent of the Schenker transport operation – and is heading for a record year in 1989. Last year, its turnover totalled *DM44bn, part of the near 10 per* cent increase stemming from the acquisition in 1987 of the chemicals and plastic activities of Dynamit Nobel.

Mr von Bennigsen-Foerder hit the political headlines earlier this year when it emerged that Veba was considering taking a stake in a French nuclear reprocessing plant.

ROBERT GATES: WASHINGTON SCEPTIC

Man who looks at perestroika through a gloomy prism

By Peter Riddell, US Editor, in Washington



Robert Gates: Rapid rise

LAST *May in Moscow*, Mr Mikhail Gorbachev suddenly turned from Mr James Baker, the US Secretary of State, to a short, silver-haired official sitting alongside him.

The Soviet leader said he had heard there was a cell within the (US) Security Council staff that had been created for the sole purpose of discrediting *perestroika* and *that the* official was the head of it.

His target was Mr Robert Gates, Deputy National Security Adviser and former deputy director of the Central Intelligence Agency.

Mr Gorbachev is reported to have suggested to Mr Baker that their two countries work to improve relations so as "to put *Mr Gates* out of a job".

Mr Baker promptly defended *Mr Gates*, though last week he may have had some sympathy with Mr Gorbachev's intervention.

Long-simmering doubts within the Administration about perestroika surfaced when Mr Baker insisted that a speech by Mr Gates not be delivered.

The Moscow incident – various versions of which have been leaked by Mr Gates' fans and foes – is revealing, but not surprising, since over the past two years Mr Gates has emerged as *Washington*'s leading sceptic about perestroika.

It is easy to see why Mr Gorbachev and his advisers are suspicious of Mr Gates.

While open and approachable in person, his discussion of the Soviet Union has a clinical, almost monochrome, character, familiar from the Cold War era.

He talks like the intelligence analyst he has been for most of his 23 years in the CIA and the National Security Council.

For all his PhD in Russian and Soviet studies and prominence as a Sovietologist, he had never visited the Soviet Union until last May.

Mr Gates is the type of detached US intelligence officer so chillingly portrayed by John Le Carré in his recent novels, notably this year's "The Russia House".

Described by one associate as a "bureaucratic climber", Mr Gates, now aged 46, rose rapidly both because of his *assiduity* as an *analyst* and because he developed the right mentors.

These have included, in the mid-1970s, Mr Brent Scowcroft, then, as now, the President's National Security Adviser, and, in the 1980s, Mr William Casey, the CIA director.

Mr Gates stood in for Mr Casey during his final illness and was nominated to become CIA director by President Reagan.

However, his appointment became caught up in the Irangate controversy in early 1987 when he was accused of a combination of looking the other way and covering up.

During two bruising confirmation hearings he was described by Republican Senator William Cohen of being "an ambitious young man, type-A personality, climbing the ladder of success. You basically *didn't want to rock the boat*". Under pressure, Mr Gates withdrew his name.

Mr Gates, who was deputy director of the CIA until the beginning of this year, has remained a controversial figure.

A speech in mid-October 1988 infuriated the then Secretary of State Mr George Shultz because he thought it might be seen as the US "writing off" Mr Gorbachev – the same criticism made now by Mr Baker.

Mr Gates' view of the Soviet Union has been consistent – and unusually public. He has stressed the *internal* opposition to Mr Gorbachev and his reforms.

In his October 1988 address, he said: "While *Gorbachev's* bold political moves and radical rhetoric have shaken the Soviet system, he has not yet really changed it. We can hope for such change but all of Russian and Soviet history cautions us to be sceptical – and cautious".

He concluded: "Whether Gorbachev succeeds, fails or just *survives*, a *still* long competition and struggle with the Soviet Union lie before us".

The passage in his latest, suppressed, speech which caused such concern in the State Department was a very pessimistic discussion of the Soviet Union's ethnic and economic problems.

The problem for Mr Baker is not just that Mr Gates might potentially create problems with Moscow by saying aloud what many in Washington are saying privately, but that his views reflect deeper differences within the Administration.

Mr Gates – together with Mr Dick Cheney, the Defence Secretary, and Vice President Dan Quayle – believe that current Soviet problems *are so* serious that the US should not become too committed to the success of perestroika, particularly over arms control.

Mr Baker has gone much further in talking about seizing an opportunity with the Soviets.

The Gates affair is likely to rumble on. In part, it reflects his own perspective and experience.

"Intelligence looks at the world through a unique and gloomy prism. It has been said that when an intelligence officer smells flowers, he looks around for a coffin."

Former premier Suzuki says he will retire

MR Zenko Suzuki, Japan's prime minister from 1980 to 1982, yesterday said he would not seek re-election to the Diet at the general election expected early next year, **Ian Rodger** reports from Tokyo.

Mr Suzuki, 78, is the third former prime minister to announce his retirement in the past few weeks, the others being Mr Kakuei Tanaka, who has been inactive since suffering a stroke in 1985, and Mr Takeo Fukuda.

Mr Suzuki, an extraordinarily passive prime minister, even by Japanese standards, has often served as the model for those who wish to show Japanese prime ministers have no power.

He came to office by accident when his predecessor, Mr Masayoshi Ohira, died suddenly and Mr Tanaka, then the most powerful politician in the country, pushed him into the prime minister's chair.

His administration was unmemorable except for its ending. In a rare display of initiative, Mr Suzuki suddenly resigned in the autumn of 1982 rather than hang on until he was forced out - the more customary Japanese pattern.

S Korea renounces import curb right

By William Dullforce in Geneva

SOUTH KOREA has renounced from January 1 its right under the General Agreement on Tariffs and Trade to impose restrictions on imports for balance of payments reasons.

In return it has been given until July 1, 1997, to eliminate its restrictions or bring them into conformity with the Gatt.

This programme was agreed *after a week of hard bargaining* in the Gatt's balance of payments committee.

The US, which with other industrialised countries has been pressing South Korea to open its market, resisted the Korean demand for a longer transition period.

Seoul is already freeing imports of 278 products, including fish, fruits, nuts and some oils, under a liberalisation programme due to be completed in 1991.

After that it will phase out the remaining restrictions on 274 items, including agricultural imports, in two three-year programmes.

South Korea has to notify the programmes in advance to the Gatt council and report annually on their progress. Gatt allows countries in the early stages of development to restrict imports to ease difficulties over payments.

According to International Monetary Fund projections, South Korea will generate a trade surplus of around $6bn this year, after surpluses of $11.5bn in 1988 and $7.7bn in 1987.

Seoul contested the IMF's 1989 estimate in arguing its case for an extended adjustment period.

It claimed to have recorded a trade surplus of only $2.3bn during the first eight months, a decline of $3.8bn from the corresponding period of 1988.

The agreement reached in the BOP committee does not alter the finding by a Gatt disputes panel in favour of complaints by the US, Australia and New Zealand about Seoul's restrictions on beef imports.

South Korea has blocked *adoption in the Gatt council of* the panel report, urging it to dismantle its beef import regime.

Sigur briefs Seoul on Pyongyang visit

FORMER US State Department official Gaston Sigur arrived in Seoul to brief South Korean leaders on a visit last week to communist North Korea, Reuter reports from Seoul.

Mr Sigur was one of the most prominent Americans to visit Pyongyang, and Seoul newspapers said he had met a number of senior North Korean officials to discuss ways to ease tensions on the Peninsula, divided for more than four decades.

Mr Sigur, Assistant Secretary of State for Asian and Pacific Affairs under former president Ronald Reagan, told reporters the talks were "frank, candid and constructive". He gave no other details.

A Seoul government source quoted by the influential daily Chosun Ilbo said Mr Sigur might have explored the possibility of a summit meeting between Northern leader Kim *Il Sung and South* Korean President Roh Tae Woo.

Mr Roh, who launched a drive to improve ties with com*munist* countries *after taking* office last year, has repeatedly called for talks with Mr Kim.

Foreign ministry officials declined to comment on the report but said Mr Sigur, now a professor at George Washington University in the US, visited North Korea as a private citizen.

Analysts said that given his State Department background, this showed the North's strong desire to improve its chilly ties with the US.

Foreign press reports from Peking said Mr Sigur told reporters on Friday during a stopover in the Chinese capital:

"I came away firmly convinced that the paramount goal of the DPRK (the Democratic People's Republic of Korea) is to reunify Korea, and it was emphasised to me that this was to be achieved through peaceful means."

In October 1988, the United States announced conciliatory gestures towards the North intended to back South Korean moves to reduce tensions on the Peninsula.

Washington liberalised diplomatic contacts in 1983 but cancelled *them again later* that year after a bomb blew apart a Korean Air Lines jet, killing all 115 aboard.

Malaysian growth to slacken

By Our Correspondent in *Kuala Lumpur*

THE buoyant growth in Malaysia's Gross Domestic Product is projected to ease to a real 6.5 per cent next year, from 7.6 per cent this year and 8.7 per cent in 1988, according to the statement accompanying last week's prudent 1990 budget.

Daim Zainuddin, the Finance Minister, acknowledged in the statement that economic expansion was fuelling inflation, which rose from 2.5 per cent last year to 4 per cent in 1989. It is expected to ease only slightly next year.

Inflation has stemmed in part from a depreciation of the currency *to about 25 per cent* below 1986 levels.

In local currency terms, the visible trade surplus is expected to shrink from ringgit *12bn (£2.8bn) last year* to ringgit 9bn in 1989. This is contributing to a plunge in the current account surplus from last year's ringgit 4.7bn to ringgit 223m this year and an estimated ringgit 115m in 1990.

However, a large infusion of private capital will help to swing the overall external financing position from a *deficit* last *year of* ringgit 1.1bn to a surplus of ringgit 1.5bn this year.

Unemployment – which has *hovered at around 8 per cent* since 1986 – is expected to fall only marginally next year.

The budget seeks to sustain growth at a high level, to moderate price increases and restrain public expenditure.

While total spending is seen rising next year by 11 per cent to ringgit 33.4bn (against a 13 per cent increase between 1988 and 1989), current expenditure is projected to grow by only 2.2 per cent to ringgit 24.1bn with revenues of ringgit 24.6bn bringing a slight surplus.

The Finance Minister proposed to cut taxes on a range of imports and also announced that "development tax", a form of corporate taxation, would be cut to 4 per cent next year from 5 per cent and be abolished in 1993.

● Defending a controversial decision to order Malaysian companies *to withdraw from* the Singapore stock exchange, the minister called it a "natural and logical development".

For nine years until *1973*, the Malaysian and Singapore markets were a single entity. After the separation, companies from the two countries were, at first, routinely listed on both exchanges. Malaysian companies still retain the legal right to list in an overseas market. But no company is expected to dispute a government order.

Dole breaks ranks on petrol tax

By Lionel Barber in Washington

SENATOR Robert Dole, *the* Republican minority leader, yesterday broke ranks with the White House and expressed support for a petrol tax to boost spending on public works.

Mr Dole said a new petrol tax, coupled with the elimination of loopholes in the tax code and targeted cuts in entitlements, could form part of a larger deal next year between Democrats and Republicans to cut the budget deficit.

Mr Dole's remarks – made during a TV interview – undercut earlier statements by Mr Richard Darman, President Bush's budget director. Mr Darman has said Mr Bush will not propose any new taxes in *his budget to Congress next* January.

The Senate minority leader seems to have been "freelancing" rather than speaking as an administration surrogate. His remarks reflect mounting frustration felt by congressional leaders over the budget stalemate caused by the divisions over Mr Bush's proposed cut in capital gains tax (which Mr Dole supports).

Senator George Mitchell, Senate majority leader, said he supported Mr Dole's appeal "to put everything on the table", including taxes and entitlement, to reach a budget settlement.

But he stressed that the Democrats would not back new taxes *publicly and* risk being pilloried by President Bush.

Failure to resolve the capital gains issue has led to delays in approval for US aid to Poland and Hungary, as well as automatic across-the-board spending cuts under the Gramm-Rudman budget-balancing law.

Gramm-Rudman cuts to defence and social programmes may be restored if Congress can come to an agreement on spending and revenues.

The administration has further antagonised Democrats by seeking a delay in legislation needed to raise the federal debt ceiling, in order to buy time to win the capital gains vote.

SHIPPING REPORT

Tanker inquiries show sharp fall

THE VOLUME of inquiries for most categories of tanker tonnage fell heavily in the key Middle East market last week, and rates for most categories of ships declined significantly, Kevin Brown, Transport Correspondent, reports.

Demand for Ultra Large Crude Carriers (ULCCs) and *Very Large Crude Carriers* (VLCCs) was said to be minimal, and only four ULCCs totalling 900,000 tonnes were reported fixed throughout the whole week.

The only fixture concluded by a major oil company was a ship of 210,000 tonnes at New Worldscale 90 from the Gulf to the West.

A major South Korean charterer took a ship of 265,000 tonnes from Saudi Arabia *at around NWS 75*.

E.A. Gibson, the London shipbrokers, said rates from the Gulf to the West for ships in the 1m barrel class fell to around NWS 90 from their previous level of around NWS 100.

One London oil company took advantage of the lack of demand for ships in the 80,000-tonne class to charter a vessel for discharge in Australia at NWS 125, about 20 points below market level a week ago. *Clean rates showed a firmer* trend. Fixtures included a vessel of 55,000 tonnes for discharge in Japan at NWS 165.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Aug.'89	July '89	June '89	Aug.'88
US	33,413	34,001	31,517	18,017
UK	34,340	35,530	34,494	38,813
W. Germany	52,245	52,101	51,108	53,782
Japan	81,931	82,181	82,855	83,606
Belgium	9,012	9,146	8,618	7,542
Netherlands	14,487	14,907	14,256	12,982
France	23,222	22,957	22,445	26,320
Italy	41,165	38,691	37,345	28,336

Source: IMF

UK NEWS

Price and politics complicate a simple sale

Paul Cheeseright looks at the issues behind the purchase of Paternoster Square

THE LAST day of British summer time saw the final pieces of the Paternoster jigsaw fall into place. Park Tower Realty of New York and Greycoat of London have everything ready to become, today, the new owners of a prized piece of London.

Yet, for the property team at Salomon Brothers, the US investment bank, it has been a hotter summer than it might have expected.

Last spring it started, on behalf of the Venezuelan Organización Diego Cisneros, to look for buyers of Paternoster Square. It seemed an interesting assignment but a bit routine.

Here, after all, was a very valuable piece of real estate, ripe for redevelopment, just next to one of the world's most famous buildings, St Paul's Cathedral, and in the centre of the City of London. There should be no problem: buyers would buzz round the site like bees round a honeypot.

So Salomon's started to draw up the particulars with a view to making them available to the big players of the property industry.

Even while that was in progress, talks were going on with potential buyers – Hammerson of London, for one.

Yet it has all turned out to be very complicated. The first obstacle was the price. The second was the politics.

Salomon had to obtain a price that would allow Cisneros to extract itself from Paternoster with the slate wiped clean and it had to do so his by today, October 30, at 1.30 pm. If not, title to Paternoster would stay with Mountleigh, the British property group, the sellers to Cisneros, and Cisneros would stand to lose around £80m.

Herein was the difficulty. Cisneros probably paid too much for Paternoster in the first place. Its exposure is thought to be about £240m, of which £80m was paid to Mountleigh. Of the balance, £150.5m had to be paid over by today and the rest is accumulated interest.

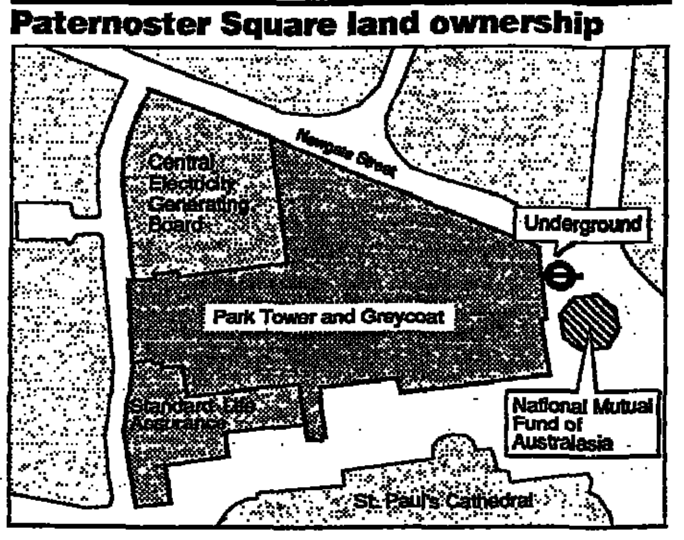
So, while there was indeed plenty of interest in Salomon's discreet auction, most groups and consortia were put off by the price.

They included one led by Rosehaugh, Mr Godfrey Bradman's company, which, had it progressed, would have brought in the minority landowners, who include London Underground – St Paul's Underground station is close to the square.

The figures were daunting because expenditure would not stop at buying the site from Cisneros.

The whole point of acquiring Paternoster would be to redevelop it. That would mean not only winning the co-operation of the minority landowners – because anything less than a comprehensive redevelopment of the whole square made little sense – but it would also mean obtaining vacant possession.

Paternoster Square land ownership



To do that involves buying out the sub-leases of all the occupants of the square, a task estimated variously to cost between £60m and £80m.

The politics comes into the question at this point.

Paternoster Square in its present form is the London office complex Prince Charles loves to hate. Its possible redevelopment has excited his interest and given any possible scheme, even before it comes off the drawing board, a higher profile than it would otherwise would have had.

Whatever scheme any new buyer might produce would be controversial. For most contenders, controversy, with its practical concomitant of a lengthy planning tussle ending in the climax of a public inquiry, was not worth paying stake money of more than £200m.

The bids, then, that Salomon received, were often accompanied by conditions that were unacceptable to Cisneros.

What helped to push Park Tower and Greycoat through was the fact that they had the money lined up with few contingencies.

But they still face costs of at least £230m – made up of £158m to clear out the Cisneros *debt to Mountleigh*, plus the buying in of sub-leases – before they can begin redevelopment.

With that amount of money outstanding, it is at least worth asking whether they can ever hope to produce the sort of redevelopment scheme that will be favoured by the Prince Charles school of architectural thinking.

Such a scheme would be low rise, allowing St Paul's Cathedral a natural dominance of its surroundings. At least, if Park Tower and Greycoat are to obtain a return on their money, the new office development will have to be intense.

Cisneros, certainly, will be hoping Park Tower and Greycoat get it right. Its ability to come out of its Paternoster transaction with Mountleigh at a profit depends on it. The terms of the sale to Park Tower and Greycoat mean that Cisneros still has about £80m left in Paternoster.

It has a complicated partnership agreement with Park Tower and Greycoat that means it will have a 30 per cent share in the profits after all the development costs have been met. There is not much chance of such profits before the late 1990s. For Park Tower and Greycoat, the real work starts tomorrow.

Television franchises will be open to EC bids

By Raymond Snoddy

EUROPEAN Community companies will be able to bid for and control Britain's commercial television franchises in the coming auction round.

The Government, which has decided to put 10-year commercial broadcasting licences out to competitive tender and therefore cannot discriminate against other EC nationals, is holding fast to its position.

The search for a way of ensuring British control, which would not breach the Treaty of Rome, has apparently been unsuccessful.

Mr Richard Dunn, chairman of the ITV Association and managing director of Thames Television, warns that all 15 of Britain's ITV franchises might in future be controlled by *eight non-UK companies*.

The government view was reiterated in a little-noticed written parliamentary answer this month by Mr Timothy Renton, then Home Office Minister responsible for broadcasting, now Chief Whip.

Mr Renton told Mr Tony Worthington, the Conservative MP for Clydebank and Milngavie: "In line with our Treaty of Rome obligations, the present, and proposed, prohibition of foreign control of UK broadcasting services does not extend to other EC countries."

Mr Renton also made clear that the Government intended to rely on informal rules and obligations, such as the requirement to provide *regional programmes to provide* an effective barrier to non-British ownership.

If a French or Italian company hired regional British broadcasters and was able to demonstrate a regional production capacity there was nothing in theory to prevent such ownership.

The Home Office has also rejected the possibility of limiting all shareholdings in commercial broadcasters to a maximum of 25 per cent.

The Government does intend to raise with the European Commission examples from France, Spain and Belgium of what it sees as broadcasting ownership rules favouring nationals of those countries.

Dispute on submarine dumping

By John Hunt, Environment Correspondent

THE LONDON Dumping Convention, the marine protection group, faces a dispute about the possibility of Britain dumping decommissioned nuclear submarines at sea. The convention starts its annual consultative meeting in London today.

The group, which regulates dumping of industrial, toxic and nuclear waste at sea, already faces strong criticism from its members for failing in its objectives.

The 63 member countries have observed a moratorium on the disposal of nuclear waste at sea. They will be discussing whether decommissioned nuclear submarines are included in the moratorium at *the meeting. Earlier this year,* the Ministry of Defence told the Commons Defence Committee that it would expect to decommission 10 nuclear submarines by the year 2000.

After hearing evidence, the committee concluded that disposal at sea appeared to be the ministry's preferred option for the vessels.

Greenpeace, the environmental protection organisation, believes that Britain will be taking this line at the conference this week. "This would be against the thrust of international opinion which believes that dumping should be reduced to zero," said Mr Damian Durrant, a Greepeace campaigner.

The *articles of the convention* state that its objectives are to promote the effective control of all sources of pollution of the marine environment and take effective measures to prevent pollution of the sea.

A team set up to consider the future of the body says that the member countries have not paid enough attention to this purpose. They have not "generated a public image of the convention as a positive mechanism for the preservation of environmental health." It says that the convention should "take more aggressive actions to address marine pollution issues of a global nature."

Consortium secures £1bn backing for licence bid

By Hugo Dixon

INTOUCH, a consortium bidding for one of the UK's personal-communications licences, has been promised £1bn in equity and debt financing should its bid succeed.

The provisional financial package seems to improve the chances of Intouch, which is led by Mr Alfred Gooding, the Welsh electronics entrepreneur, receiving one of the two or three licences.

While arranging such a package is an essential condition for any serious candidate for a licence, Intouch has until now lacked financial credibility.

Although its backers include companies such as Olivetti, the large Italian computer group, much of the drive behind the consortium is coming from medium-sized British companies.

Mr Gooding said the financial package contained three elements.

Consortium members would put up £100m equity if a licence was granted; N. M. Rothschild and several other merchant banks had agreed to raise a further £250m in equity; and Barclays Bank had agreed to lead a banking consortium that would be asked to put up £650m in debt finance.

UK NEWS

Threat of recession ruled out by business school

By Patrick Harverson, Economics Staff

THE BRITISH economy will avoid recession next year, but the cost of bringing down inflation with high interest rates will be a sharp fall in output and little significant improvement in the trade deficit, according to the London Business School.

In its latest four-monthly forecast for the economy, published today, the school predicts that economic growth will fall from 2.5 per cent this year to 1.9 per cent in 1990, compared with its forecast of 2.4 per cent gross domestic product growth worldwide.

ECONOMIC FORECASTS

	1988	1989	1990	1991	1992
GDP	4.3	2.5	1.9	1.9	1.7
Inflation	4.9	7.6	5.6	5.6	4.5
Consumers' Expenditure†	6.5	3.7	1.6	1.5	1.4
Total Fixed Investment†	11.8	7.4	2.5	3.4	3.5
Gen Govt Consumption	0.5	0.9	0.9	0.9	0.9
Stockbuilding†‡	1.9	3.3	-1.5	0.0	0.8
Exports†	-1.0	4.5	6.7	2.3	1.9
Imports†	11.9	7.6	0.5	2.7	2.3
Sterling Index*	96.0	93.0	88.0	86.0	86.0
PSDR (£bn,finan years)	14.4	14.9	17.0	17.3	18.0
Current Balance (£bn)	-14.6	-19.0	-14.8	-14.9	-13.4
Adult Unemployment (UK, m)	2.3	1.8	1.7	1.6	1.7

Percentage change unless otherwise shown. † Percentage change in volume. ‡ £bn, 1985. *1985=100.

Source: Economic Outlook 1989-1993, October 1989.

The school says the Government's tight monetary policy will reduce retail price inflation from 7.6 per cent this year to 5.6 per cent in 1990.

High average earnings and rising unit labour costs will mean that any reduction in underlying inflation will be at the expense of company profit margins.

Investment and stock building are likely to bear the brunt of the downturn in economic activity, according to the school.

The growth of total fixed investment will ease sharply, while there will be a real fall in stock building next year as high interest rates force companies to de-stock.

The outlook for the trade balance is poor, according to the forecast. The current-account balance-of-payments deficit will fall from this year's £19bn to below £15bn in 1990 as weaker domestic demand and de-stocking hold back imports, and exports benefit from the lower pound and expanding trade with Europe. The LBS does not expect the deficit to fall much below £15bn for two years.

The school can see no improvement in the exchange rate position, with the pound expected to fall a further 5 per cent on the sterling index in 1990. That would boost the competitiveness of exports but add to inflation.

On unemployment, the business school says that the number of people out of work in the UK will fall by 100,000 a year for the next three years before starting an upward trend in 1992.

The school has not changed its view that the Chancellor will not cut taxes in his Budget next March. It believes that the recent reduction in National Insurance contributions has ruled out any chance of further tax cuts next year, although it believes electoral considerations would lead to a 1 per cent cut in the basic rate of income tax in 1991 and again in 1992.

The LBS expects a budget surplus of nearly £15bn this year, rising to £17bn in 1990 and £17.3bn in 1992. In contrast, the Treasury's expects the public-sector debt repayment to fall steadily over three years.

The LBS forecast of the UK economy assumes that interest rates will fall to 14 per cent in the middle of next year, and then to 13 per cent by the end of 1990 as the Government prepares for a 1991 election.

However, the school warns that base rates may have to go higher if sterling comes under heavy pressure.

Economic Outlook, Volume 14 No 1, October 1989. Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire, GU11 3HR. Annual subscription £150.

Labour warns banks on student loans

By David Thomas, Education Correspondent

THE LABOUR Party has told banks that a Labour government would immediately close the proposed student loan scheme. The warning came from Mr Jack Straw, Labour's education spokesman, in a letter to the chairmen of the London and Scottish clearing banks.

The Government wants to legislate for a student loan scheme to start in October 1990. The scheme will involve government money being distributed through a loans agency owned by the financial institutions. The Government and the clearing banks are finalising negotiations on details of the agency.

Mr Straw, in his letter to the chairmen of Barclays, Lloyds, Midland, National Westminster, Standard Chartered and TSB, warns the banks that their association with the scheme "could lead to a loss of current accounts by students and by graduate debtors."

The letter says that "any incoming Labour administration would close down any such loans scheme at the earliest opportunity." Mr Straw argues that the proposed loan scheme will boost public spending in the medium term and cut student support.

Increase in companies going into receivership

By David Waller

THE NUMBER of companies going into receivership has risen this month. In the past weeks, receivers have been called in at two publicly quoted companies: Talbex Group, a contract filler of consumer aerosol products; and Sharp & Law, a Bradford-based shopfitter.

Sharp & Law, formerly quoted on the Unlisted Securities Market, suffered from high borrowings and declining sales, both precipitated by high interest rates. Its customers were the retailers suffering from a shortfall in consumer demand; its own borrowings at one point this year amounted to three times shareholders' funds.

Talbex found itself in financial difficulties after increasing its investment at its Scunthorpe plant in order to manufacture a product free of chlorofluorocarbons. That coincided with overcapacity in the aerosol market.

Hinari, a privately owned consumer electronics company based in Scotland, called in administrators in the first week of the month with debts estimated at £30m. Its former managing director, Mr Brian Palmer, blamed the high street spending squeeze.

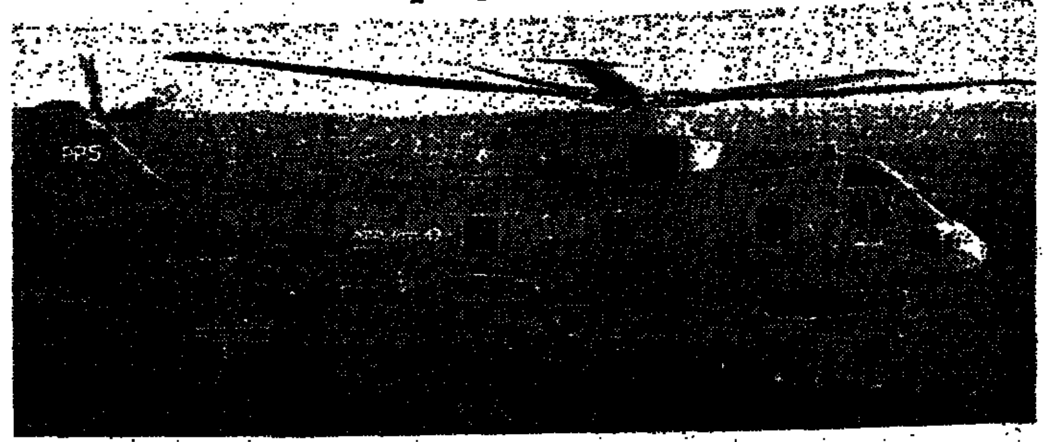
On October 18, receivers were called in at Finlays, the tobacconists' and newsagents' chain run by the Ugandan Asian entrepreneur Mr Arunbhai Patel. The company was bought from Hanson for £20m in two stages in 1986-87; sales fell from £88.3m to £49m in the year to April 1989.

There have been numerous examples of receivers being called in at smaller companies. This month's crop includes the West 'n Welsh Group, a Cardiff-based double-glazing company with 84 employees and Cavalier Homes, a residential property developer.

The demise of Talbex and Sharp & Law follows other recent notable failures. Receivers were appointed at Kentish Properties, a victim of the fall-off in demand for homes in London's Docklands, in August, and Eatoughs, a privately owned Leicestershire shoe maker.

Westland's future in MoD hands

Paul Betts on efforts to lift two vital projects off the ground



The Merlin helicopter: airborne, but programme's future cloudy

THE PROTOTYPE of the Royal Navy's Merlin anti-submarine helicopter successfully completed its maiden flight last week, but failed to lift the clouds over the future of Westland, the UK helicopter manufacturer.

The Merlin is the naval version of the EH101, the £1bn Anglo-Italian helicopter programme involving Westland and Agusta, which, in the words of Mr Alan Jones, Westland's new chief executive, is "crucial" to the longer-term future of the UK group's helicopter operations.

The EH101 programme, involving development and eventual production of a naval helicopter for anti-submarine and rescue operations, a military utility helicopter capable of transporting 30 soldiers, and a third version for civil use, will absorb as much as 50 per cent of Westland's helicopter capacity at Yeovil in Somerset in the next decade. Mr Jones, the former managing director of Plessey's UK defence businesses who joined Westland last Spring, concedes: "If the EH101 programme were to collapse, it would make life very difficult."

Since taking over at Westland, Mr Jones has sought to move the group away from essentially military programmes to increasing dependence on civil aircraft programmes. At the same time, he has pursued the group's recovery strategy of broadening the base of its operations in the aerospace and technology components sectors.Thatas also involved further restructuring, with the decision earlier this month to halt a number of unprofitable product lines and cut 420 jobs at the company's technologies division.

Helicopter operations remain by far the biggest piece of the group's business and account for as much as half of Westland's total workforce of about 9,00 people. Its future now hinges on two long-awaited Ministry of Defence decisions.

The first and most immediate involves the naval variant of the EH101. Westland, which now claims to have resolved all outstanding technical difficulties on the EH101, including vibration, performance, shuffle and pitch-up, is anxious to secure a production order for the Royal Navy version of the helicopter by the end of this year. The Royal Navy has indicated a requirement for 50 EH101 Merlins. Even if the company does not secure at this stage a production order for all 50, it would welcome a smaller initial order to get production of the navy helicopter off the ground.

Westland believes the Royal Navy order would also unlock the door for sales of the civil and utility transport versions of the aircraft. Indeed, the significance of the EH101 programme for Westland is the opportunity it would give the company of returning to the civil helicopter market.

"From the beginning, the EH101 has been developed as a civil and military helicopter," explained Mr Jones. "It lifts 30 people. There is not at the moment a modern competitor with that capability and it would fill a slot which is now open on the world market."

The second MoD decision Westland is anxiously awaiting is the Government's choice for the armed forces' future-land battle support and attack helicopter requirements. Mr George Younger, the former defence secretary, announced two years ago the Government's intention of ordering 25 EH101 support helicopters as well as 16 Mark 9 light battlefield Lynx helicopters.

Westland is now building the Lynx helicopters, but is still waiting for a firm decision to go ahead with production of the EH101 support helicopters for the Royal Air Force. Moreover, since Mr Younger's departure from the Defence Ministry, the Government has been reviewing other options, including the Boeing Chinook and the Sikorsky Black Hawk. Both aircraft are manufactured by Westland under licence from the US United Technologies group which owns a 7.7 per cent stake in the Yeovil-based company. At present, it seems a firm decision on the land support helicopters is unlikely before late next year.

Uncertainty also continues to surround the MoD's choice for a light attack and anti-tank helicopter. Westland, however, has now positioned itself to ensure the company obtains a large share of the work on the new attack helicopter with co-operation agreements in the different programmes being studied by the MoD.

Those include a stake in the Joint European Helicopters consortium with Agusta of Italy, Fokker of the Netherlands, and Casa of Spain to develop an advanced version of the Agusta A-129 and an agreement with MacDonnell Douglas to work on the advanced version of the Apache.

Treasury is urged to clarify ECGD policy

By Peter Montagnon

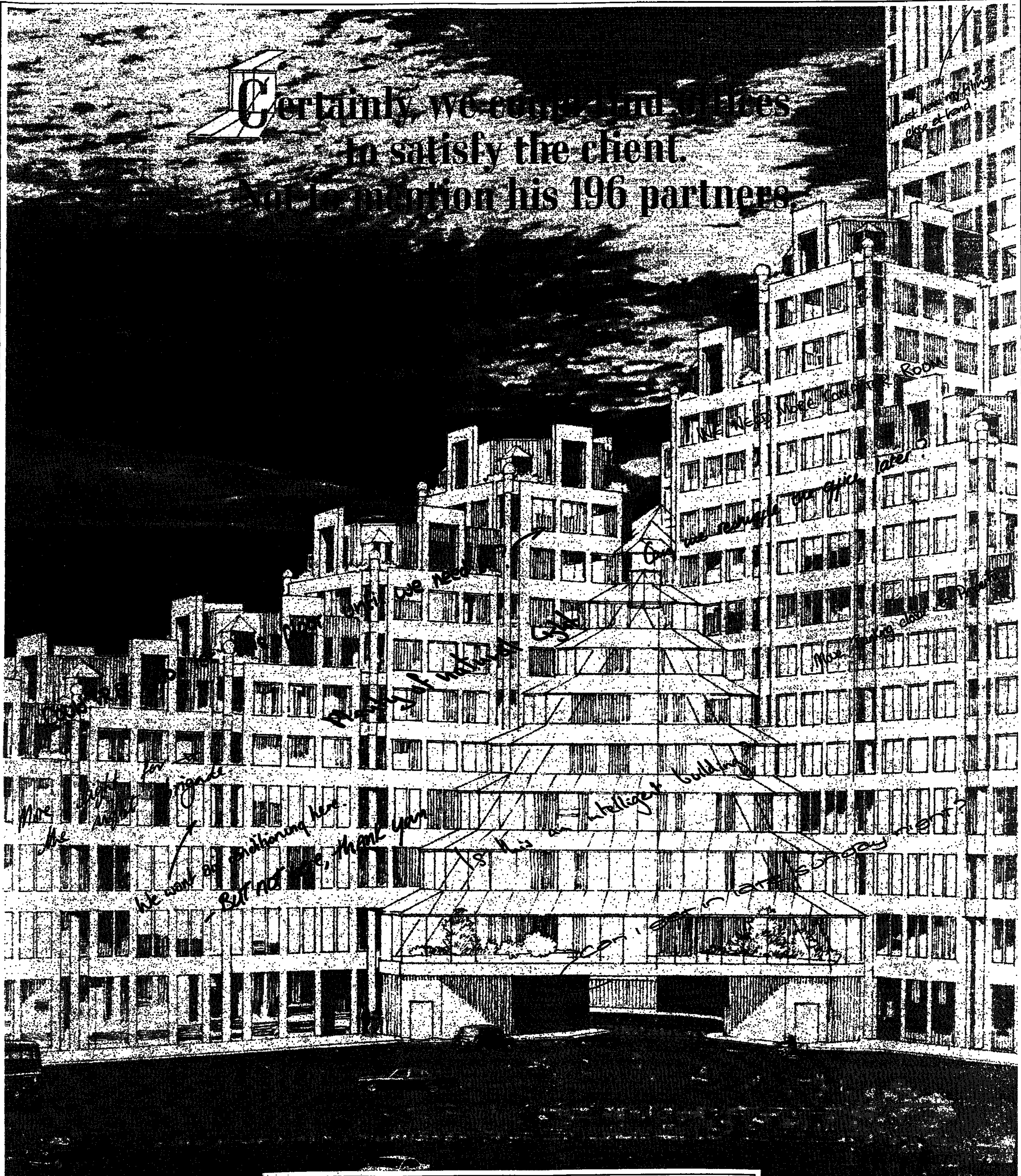
THE COMMONS Trade and Industry Committee has asked the Treasury to clarify its policy towards the Export Credits Guarantee Department after reports that the Treasury favours an end to long-term government support for British exports.

The committee's letter to the Treasury followed evidence to the committee last Wednesday in which Lord Trefgarne, Trade Minister, said one government department was arguing for closure of ECGD's project division, which provides long-term export guarantees, and an end to government provision of interest rate subsidies on export credits to developing countries.

Lord Trefgarne was widely understood to be referring to the Treasury, whose attitude has recently been causing alarm among leading British exporters.

Mr Kenneth Warren, committee chairman, said a reply was expected in seven to 10 days. It would constitute part of the evidence the committee is collecting during its present inquiry into reform of the ECGD.

He added that in the light of Lord Trefgarne's statement on Wednesday that the Government would announce its decision on fundamental ECGD reform before the end of next month, the committee has decided to stop seeking further oral evidence for the time being.



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Labour attack focuses on 'contemptuous' Thatcher

By Michael Cassell, Political Correspondent

MR John Smith, the shadow Chancellor, last night said Mrs Thatcher intended to ignore the wishes of her ministers by continuing to rule out early membership of the exchange rate mechanism of the European Monetary System.

Mr Smith's remarks, which followed Mrs Thatcher's appearance on television, signalled the beginning of a renewed offensive by Labour on the Prime Minister and on the Government's economic competence.

Labour's frontbench Treasury team was last night preparing its latest attack on the Government, which will take place in the Commons tomorrow with a debate on the economy.

It is expected that the thrust of Labour's attack will be aimed at Mrs Thatcher, in spite of the presence of Mr John Major, the new Chancellor, who will be challenged to state unequivocally his own view on the timing and benefits of entry into the ERM.

Labour intends to portray the change in chancellorship as largely inconsequential, on the basis that, whatever Mr Major says about economic policy in general and the EMS in particular, Mrs Thatcher remains firmly in charge of an unchanged economic strategy.

Mrs Thatcher's repeated assertions of "business as usual" will be used to show that the Government plans no changes in style or policy and that, therefore, the nation's economic difficulties will increase.

Mr Smith said last night that both the tone and content of Mrs Thatcher's television interview had demonstrated that she was totally against joining the ERM for the foreseeable future.

Mr Smith said: "She implied that unless every other country adopted Thatcherite policies, she could not join. Everyone in Europe, as elsewhere, knows once again that Mrs Thatcher has no intention to be bound by agreements made at Madrid or elsewhere." Mr Smith also referred to the weekend remarks of Sir Geoffrey Howe, the deputy Prime Minister, who called for Britain to remain committed to early membership and whose remarks have been interpreted by some as a warning to the Prime Minister.

Mr Smith said Mrs Thatcher had given a "contemptuous" answer to her Deputy Prime Minister who had insisted that the spirit and the letter of the Madrid agreement on the EMS had to be honoured.

He added: "The interview confirmed that all government policies are to be exclusively controlled from 10 Downing Street, whatever other ministers say, do or think."

Mr Neil Kinnock, the Labour leader, who will attend tomorrow's debate in the Commons but who will leave the attack to his treasury team, said in his South Wales constituency at the weekend that the Government was beset by "resignation, confusion and chaos."

Heseltine discounts leadership challenge

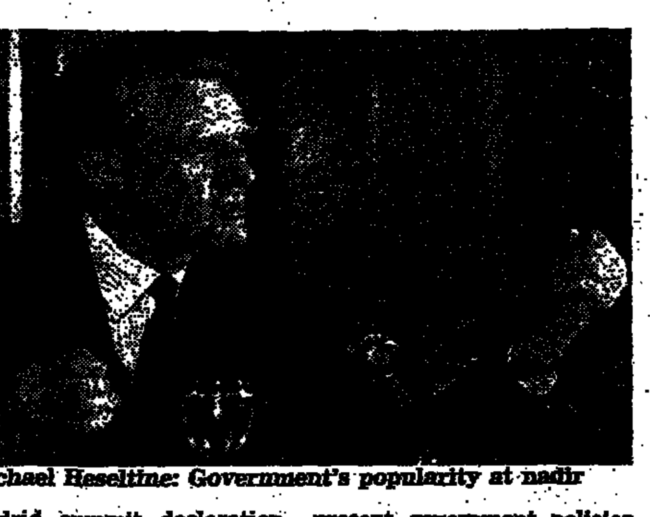
By Our Political Correspondent

MR Michael Heseltine, the former Defence Secretary who is regarded as a leading contender ultimately to take on the leadership of the Conservative Party, said yesterday he would not stand against Mrs Margaret Thatcher "under any circumstances I can foresee."

He said he had made absolutely clear that he was "not in the business of challenging Mrs Thatcher," and he wished to continue to serve the Tory Party.

Mr Heseltine, who was careful not to criticise Mrs Thatcher openly over the resignation of Mr Nigel Lawson as Chancellor, welcomed the weekend remarks of Sir Geoffrey Howe, the Deputy Prime Minister, who emphasised the importance of Britain's meeting its commitment to early entry into the exchange rate mechanism of the European Monetary System.

He said he was pleased Sir Geoffrey had re-emphasised Britain's determination to join and added: "We must stick to what we have said and to the Madrid summit declaration made with Nigel Lawson and the Prime Minister in consultation with European partners."



Michael Heseltine: Government's popularity at nadir

The City demands clarification of the policy and, he added, "in the present circumstances, uncertainty is its own enemy." Britain should commence negotiations as soon as present government policies began to bite into inflation.

On Saturday, Mr Heseltine told a meeting at the Commons that Britain had to choose between taking a full part in Europe or remaining on its periphery.

He said Britain could seek a European enrichment compatible with its instinct and interest. He added: "The alternative is to choose the touchlines – close to the game, but hardly a key player. That is the wrong option."

Speaking on BBC television yesterday, Mr Heseltine said he believed the Government's popularity had reached its nadir and forecast that Mrs Thatcher would win her fourth general election.

He emphasised that Britain needed to make clear its intention to join fully the EMS in order to demonstrate its "commitment to the European adventure." Its attitude to the issue, he added, formed part of the reaffirmation of Britain's European credentials, although the Government would continue to fight for British interests.

Mr Heseltine added: "Britain's self-interest is to be enhanced in the context of a wider European grouping and we should use our influence to achieve it. I want to protect the interests of the City of London by influencing the economic and monetary development of Europe."

Although there was no direct criticism of Mrs Thatcher's apparent misgivings about closer integration within Europe, he repeatedly put emphasis on his own conviction that Britain's future lay not only within Europe but as a European pace-setter.

He claimed that Mrs Thatcher could play a significant role in influencing the destiny of the European power group which was now emerging.

Mr Heseltine said that while he was minister he had attempted to convince her of that role, although he was not convinced he had entirely convinced her.

Britain, he argued, had to be at the leading edge of what was happening in financial, economic and monetary terms within Europe. History would treat harshly anyone who was responsible for seeing Britain "miss the bus."

Polls show new low for PM

By Our Political Correspondent

MRS THATCHER'S personal standing and the popularity of the Government were already reaching new lows before the resignation last week of Mr Nigel Lawson, according to a batch of opinion polls published over the weekend.

One poll in The Sunday Correspondent, carried out more than a week ago, placed Labour 15 per cent ahead of the Conservatives on 50 per cent, although the size of Labour's lead fell to only 6 per cent in a survey conducted for The Sunday Times after Mr Lawson's departure.

Ministers are resigned to the latest upheavals inflicting further damage on the Government's popularity.

Some expressed the hope yesterday that the worst would soon be over, even though they believed a full recovery might take at least 12 months.

One of the few polls since Mr Lawson's departure was conducted over the weekend among Conservative MPs by Mori for the BBC. It involved 125 MPs, of whom 98 said the resignation had done the Government's standing some damage.

Just over half the MPs contacted rejected the suggestion that Mrs Thatcher should change her style, and 88 per cent said she should not resign. Even so, 39 per cent believed she should now moderate her approach.

Several backbench MPs said she should try to tone down her authoritarian image.

A BBC Mori poll among voters suggested that Mrs Thatcher had now become an electoral liability. Although Labour is given 46 per cent, against 39 per cent for the Tories, support for the Government would rise to 47 per cent under another prime minister. Labour would fall to 40 per cent.

According to an NOP poll published in The Mail on Sunday, a little more than half of the electorate now believes Mrs Thatcher should resign. The same poll puts Labour on 47 per cent, with the Tories on 41 per cent.

A Mori poll for The Sunday Times gives Labour 48 per cent support against 38 per cent for the Government, and it also suggests that 55 per cent of voters thought Mr Lawson made the correct decision in resigning. The verdict on his years at Number 11 Downing Street is mixed, with 35 per cent satisfied with his performance and 44 per cent dissatisfied.

According to a Gallup poll in The Sunday Telegraph, Mr Lawson's departure has dealt a serious blow to public confidence in the Prime Minister.

Although interest in the position of the smaller parties has been overwhelmed by the events of the last few days, the polls continue to confirm that the political stage remains polarised between the two main parties.

The highest share of the vote for the Liberal Democrats is put at 6 per cent by NOP.

No breathing space for hard-pressed team

Philip Stephens looks at the task ahead of Mrs Thatcher's newly reshuffled Cabinet

MRS Margaret Thatcher and her new team of ministers will hardly have time to pause for breath after the hectic events of the last few days.

While Mr John Major, the new Chancellor, prepares to put his stamp on economic policy in two Commons debates this week – and then to deliver the Autumn Statement and supervise the sale of the water industry – his colleagues at the Foreign Office and the Home Office have similarly pressing tasks.

In just over three weeks' time the Queen's Speech will foreshadow another busy legislative programme, with measures ranging from reform of the National Health Service to liberalisation of the legal profession.

Apart from dealing with the everyday business of foreign policy, Mr Douglas Hurd, the Foreign Secretary, will face immediate pressure to disclose his attitude towards forcible repatriation of the Vietnamese refugees in Hong Kong.

THE Labour Party will today publish a detailed criticism of the 10 water companies' financial prospects, writes Andrew Hill. It will come amid speculation that the proceeds of next month's water privatisation will be depressed by market uncertainty and political turmoil.

The 45-page "alternative prospectus" has been produced by Mr Paul Herrington, a lecturer in economics at Leicester University. In particular it is likely to highlight the economic, regulatory, and legal risks of investing in the water industry.

Mr Major was on the verge of announcing such a move before he left the Foreign Office, and in the Commons last week Mrs Thatcher anticipated the likely political backlash by emphasising that it was accepted international practice to send back "illegal immigrants." That, however, will not spare Mr Hurd the opprobrium of some of Britain's international partners – above all that of the US – if he confirms the decision within the next few weeks.

Mr Hurd has indicated that he will not be prepared to act as Mrs Thatcher's cipher at the Foreign Office, but the view among Whitehall officials yesterday was that he had little practical alternative but to accept forcible repatriation.

Along with Mr David Waddington, his successor at the Home Office, Mr Hurd will then have to formulate a policy to restore the confidence of Hong Kong's indigenous population in the wake of last June's events in Peking.

That will involve new, but potentially divisive, guarantees of eventual residence in Britain in order to persuade key groups to remain in the colony until the hand-over to China in 1997. For Mr Waddington, the most difficult task will be to finalise the Government's plans to deregulate the broadcasting industry.

Much of the work has been completed by Mr Hurd, but the new Home Secretary faces an expensive, high-profile campaign by the commercial stations to abandon plans to auction regional franchises to the highest bidder.

The Government hopes that the legislative programme for the next session of Parliament will give it a breather from some of the political controversy that has dogged the present session. There is, for example, nothing comparable to the legislation to privatise the water and electricity industries.

The bill to reform the NHS, however, will provide the newly confident Labour Party with plenty of ammunition with which to attack the Government.

Mrs Thatcher acknowledged the risks with her appointment last week of Mrs Virginia Bottomly – known for her conciliatory style as Under-Secretary of State at Department of Environment – as Mr Kenneth Clarke's deputy at the Health Department.

The Government's plans for liberalisation of the legal profession are not likely to generate a campaign of opposition in the country, but it can expect considerable resistance from barristers and judges in the Lords.

Even the planned bills on environment and food safety – potentially extremely popular measures – will face attacks from the opposition parties and from pressure groups on the ground that they are not sufficiently radical.

Meanwhile, the proposed bill on embryonic research will ensure a controversial and lengthy debate on whether the time limit for abortions should be brought down from the present 24 weeks.

In theory, that debate should be conducted on cross-party lines, but, as one minister said comthe weekend: "In the present climate, anything that goes wrong - even the weather - is likely to be blamed on the Government".

The Thatcher interview

In the second part of his London Weekend Television interview with Mrs Margaret Thatcher yesterday, Brian Walden focused on international economic issues. Edited excerpts of their exchanges follow.

Walden: The essential question that the markets will want to hear: do you really want to join the European exchange rate mechanism of the European Monetary System?

Thatcher: We shall join the EMS on the conditions we laid down in Madrid. There was nothing fudged about them, they were quite clear.

The various countries in that particular exchange rate play by different rules. That is nonsense. When you join any system, you must all play by the same rules. At the moment, some have a foreign exchange control, some don't; some have freer movement of capital, some don't. Some have artificial constraints on what their pension funds and insurance funds can invest in which prevent overseas investment or investment in other currencies. Some don't. Some have a great deal of subsidy to their industry so that competition is unfair. Some don't.

You just simply can't have a system with a currency like sterling, which is a big currency, which is a more open currency, which has London as the most open market, freest market in the world, playing under that higgledy-piggledy set of rules.

We're way ahead of most other countries in our liberty, in our freedom, in our openness. They have to catch up with us. I hope they will and so we said quite clearly we shall join the exchange rate system when there are no foreign exchange controls, when there's freedom of movement of capital, when their financial services like their insurance and pension funds are run as openly and as freely as ours are and when we have fair competition and the subsidies have gone.

Now, all of that should happen during . . . what is called the Delors first stage, the first stage coming towards monetary union. I hope it will, but other countries have to catch up a long way before it happens.

How long it will take is up to them. France says that she will get rid of her foreign exchange controls, I think by July next year. I'm not sure about Italy or Spain. I think they might want longer.

Walden: They've got until 1992, Spain and Ireland have . . .

Thatcher: Yes, and then you will see whether . . .

Mrs Thatcher: "I like a strong pound"

Walden: . . . and Greece and Portugal until 1994.

Thatcher: Yes, well, Portugal's a much smaller currency . . . and then we'll see whether the exchange rate can hold under those circumstances. I hope it does but they have to catch up with us.

Walden: Shall I tell you what I suspect might be the trouble with that answer? It's very clear, it's very logical and you've always said it. But especially now Lawson's gone, there's a slight smell of hostility to the ERM about it. If you could show some enthusiasm for wanting to get in, you might cheer the markets up. Are you enthusiastic to get in?

Thatcher: I have just indicated I hope that the other countries will catch us up in free liberalised markets, free movement of capital which is in the Treaty of Rome and we're one of the first countries to have it . . . When they do in all those particulars and we have free movement, when we have genuine competition, when they get rid of some of their hidden restraints and when they're prepared to abide by the rules as we do.

Walden: Well, which way is it in your mind, Prime Minister, that you are thinking "I'm dying to get into this because it will be very good for the pound and it will be very good for Britain, I do wish these foolish foreigners would hurry up and get into a situation where I can join" or are you privately thinking "I don't reckon these chaps will ever in the near future get around to doing any of these things, so I'm quite all right, we shall never have to join the ERM which I don't want to join anyway." Which is it?

Thatcher: I hope they will and I hope it not only for the ERM so that we can join, but I hope it on general economic grounds. We believe in an open economy, we believe in free and fair trade, we believe in fair competition but they have some artificial and cultural barriers which are going to be very difficult to get down. They talk about being European and communitaire; we practise it. We're much more open than they are and they really have to start to do things as well as say them. It's no earthly good talking about things unless they're prepared to free up.

But they must expect to play fairly. We wanted, we joined the European Community for the Common Market. It's one of the things we haven't had. They've had their barriers up and they still, many of them, have their barriers up; there are still some of them which no matter how in theory you free up contracts will always buy German or always will buy French whereas we look at value for money. But I really can't have Britain worsted by other people having a different set of rules from the ones we have.

We play fair and we will, and the more liberal economics they have, using it with a small "l", the better it will please me and I shall be delighted when they have it.

Walden: I still detect a certain underlying suspicion of these people, a certain hostility to what they're up to, a certain feeling that "yes, they've got a lot to change and they must mend their ways in many ways" and you won't go in until they do, will you?

Thatcher: Because it would not be fair to Britain.

She gave as an example differences over agricultural policy.

Walden: What it means in practice is that we shan't be going into the ERM for quite some time, doesn't it?

Thatcher: That depends on them. That depends on the gap between what they say and what they do.

Walden: I think, don't you, Prime Minister, that the markets are bound to interpret this to mean that you have no especial enthusiasm for getting into the ERM as it is and you're rather doubtful how long it's going to take them to get in a position where you can get in?

Thatcher: No, Brian.

Walden: You don't think the markets will think that?

Thatcher: No, and I think you're trying to persuade them artificially into a way which is not justified from what I have just said and that is one of the problems we deal with. Let the markets make their own judgment. We shall go in when it is fair and under the same rules and under liberal economics to do so, and that, Brian, is what the Common Market is all about.

After further exchanges along these lines, Walden asked about Greece and Portugal, which have until July 1994 to abolish their exchange controls.

Mrs Thatcher said it was reasonable for them to have transition periods because they were "smaller currencies." Walden turned to the value of the pound.

Walden: Nigel [Lawson] persistently interfered with interest rates in order to keep sterling within certain bounds, in order to support it when it fell and sometimes to depress it when it rose. Is that policy going to be pursued?

Thatcher: I like a strong pound, there are only two ways, one is the interest rate, the other is intervention, and the other is, I think, the general demeanour and politics and stability of the Government. We've had a strong economy, we continue to have a strong economy, we have a strong government and we have a good majority, and I hope they'll make their judgment of Britain's strong economy, and also may I say its strong leadership, and of a very good team leading and a united party, and that has an effect, that has an effect, there's nothing mechanical about exchange rates.

Walden: I think the impact of the whole interview will make many people feel that nothing that has happened has in any way shaken or chastened you, and of course that will worry some of them. They will say, "The Prime Minister remains absolutely unyielding about everything, and though she might have done a good job I think it's time in fact that we had someone who was more yielding." Now, what do you say to that?

Thatcher: Nonsense, Brian, I'm staying my own sweet reasonable self founded on very strong convictions which were a combination of reason and emotion. I feel passionately about personal liberty, and government's there to serve it; I feel passionately that it's the right of people to have more and more choice, because I held these passionate convictions and fashioned our economic policies on them reasonably, firmly, strongly.

Walden: Prime Minister, I must stop you there.

Thatcher: No, you must not.

Walden: I must, thank you very much indeed.

Thatcher: Strong leadership will continue.

UK NEWS

A skirmish before Strasbourg

David Buchan and Jimmy Burns on the European Social Charter

THE POLITICAL skirmishing over the proposed European Social Charter of workers' rights comes to a head today when labour ministers of the Twelve meet in Brussels to decide in what form the Charter should be put to European Community leaders at their December summit in Strasbourg.

The meeting takes place against the backround of renewed indications of the differences that plague the British Government's relations with the rest of the EC on the issue of employment rights.

Britain's Secretary of State for Employment, Mr Norman Fowler, at the weekend repeated his Government's criticism of the Charter, in a move that earned an angry response yesterday from the opposition Labour Party.

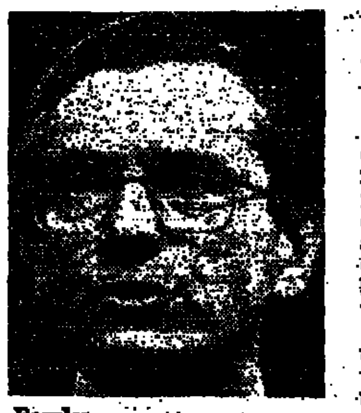
Mr Fowler told local party supporters in the Midlands that while the EC Governments were committed to the development and creation of jobs, the Charter "would take us in the opposite direction", reducing the flow of new jobs and "destroying many of the jobs we already have."

Mr Fowler has also written personally to UK newspaper editors with an enclosed 'Fact Sheet' on the UK position, entited "People and Progress". He warns that the Charter could "inhibit flexibility and harm the competitiveness of individual countries and the Community as a whole."

For Mr Michael Meacher, the Labour Party's Employment spokesman, this is shorthand for "wanting to see the EC run as an economic club, which makes no provision for the rights of working people."

"Mrs Thatcher and Mr Fowler will not be happy until the whole Charter is torn up and private capital alone is the regulator of the Community, " Mr Meacher said.

Mitterand



Fowler

Despite the UK Government's continued strong opposition to it, the charter's basic outline seems set for approval by a large majority of ministers today, and then for adoption as a "solemn declaration" by an equal majority of EC government heads in December.

The latest changes made to the draft by a group of EC government officials chaired by France, which is determined to get the charter adopted during its current six-month presidency of the EC Council of Ministers, seem to have been made with the Thatcher government's concerns only marginally in mind. These changes narrow the scope of the charter, aiming it at those in work or of working age rather than everyone including pensioners.

The revised draft states that responsibility for follow-on legislation should lie "first with the member states and, within its competence, with the Community." For obvious reasons, this language, in the charter's preamble, pleases the UK Government, and displeases the Commission.

But, as it will be presented by Mr Jean-Pierre Soisson, the French Labour Minister to his EC colleagues today, the charter would oblige host states to give workers from other EC states, even working on temporary sub-contracts, the same social security, tax and pay benefits, as their own workers.

This has drawn a specific objection from Portugal, which fears that such provisions will blunt the competitive edge that its low-wage workers might otherwise have in picking up newly-liberalised public procurement contracts around the Community post-1992.

Out of Iberian solidarity, Spain has allied itself with the Portuguese objection, which the Brussels Commission had earlier tried to meet with a let-out clause for "temporary" workers whom host states would not need to put on a legal par with their own workers.

The UK government, and Unice, the European employers federation, will point to the fact that Portugal has put a "reserve" on the draft charter's articles dealing with equal treatment in sub-contracting and opening up of public contracting, as evidence that the charter runs counter to the economic self-interest of the Community's lower-wage, southern countries.

But, politically, it is a bit late for a small country like Portugal to be making its first formal objection now with much effect. Spain's Socialist Government has in the past been considered unlikely to carry Iberian solidarity very far in standing by Portugal's ruling centre-right Social Democratic party on this point. In addition, Lisbon would have to consider whether it wants to be seen as acting in tandem with Britain.

Mr Meacher said yesterday that the Labour Party's reservations about the Charter were that in its current form "it is too general and vague to bring bad governments and bad employers to heel."

Such a sentiment is shared by some EC countries which feel the draft charter is too feeble, although none will vote against it for that reason. West Germany is pushing for the charter to contain an annexe listing points for Community legislation. The motive of the Bonn Government, whose centre-right leader, Chancellor Helmut Kohl, is at one with the French socialist, President Mitterrand, in wanting the social charter passed, appears to be distrust the Commission's ability to act swiftly or toughly enough.

Meanwhile, German trade unions, powerfully represented inside the European Confederation of Trade Unions (Etuc), have been pushing for protection against "social dumping", the lowering of standards or wages in response to competition with poorer countries.

They are not alone. Britain's Labour Party, for one, pledged yesterday to keep up the pressure this autumn both from Westminister and through the Socialist Group in the European Parliament to "beef up the Charter and give it more teeth." Some tough bargaining within the EC seems likely in the weeks ahead.

Union says strikes in engineering will win total support

By Michael Smith, Labour Staff

ENGINEERING UNIONS last night predicted full support among members who are due to stage indefinite strikes from this morning in support of a national campaign for a shorter working week.

Mr Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions, said he expected a 100 per cent response from more than 6,000 manual workers who have been instructed to stop work at three plants owned by British Aerospace and Rolls-Royce.

Support for the campaign had been strengthened by the failed attempt of BAe last week to seek an injunction preventing the strikes from going ahead, said Mr Ferry.

Progress of the strikes will be watched closely by other engineering employers. The engineering unions have said that further stoppages are likely within a month at companies including GKN, Lucas, Weir Group and Catton unless the Engineering Employers' Federation agree a national settlement to reduce the 39-hour week for manual workers.

The unions are claiming 35-hour weeks for all 750,000 workers employed by the 5,000 companies affiliated to the EEF. However, in recent ballots at seven manufacturing plants - owned by Rolls-Royce, BAe and Smiths Industries - office staff, who presently work 37 or 37½ hours, voted against indefinite strikes.

Among 11,641 manual workers who voted, two thirds were in favour of striking and the biggest majorities were at the three plants which the unions have been selected for today's strikes. The votes were: 1,503 to 614 at BAe Preston; 1,703 to 541 at BAe Chester; and 1,400 to 424 at Rolls-Royce Glasgow.

Rolls-Royce has said that a stoppage at Glasgow is likely to lead to lay-offs at other factories owned by the company.

Taking a leaf from the continental book; Page 17

Bingo clubs call end to dispute

By John Gapper, Labour Editor

A GROUP of mainly part-time women workers in five Scottish bingo clubs have been awarded pay rises of up to 17.5 per cent after balloting in favour of a strike to secure higher wages.

Industrial action among part-timers in the leisure industry has been rare. The ballot was held by the Broadcasting, Entertainment and Trades Alliance after a pay offer to workers at the Jaro bingo chain, based in Glasgow. Bingo is a popular numbers-based lottery played throughout the UK.

The company increased the hourly wages of cleaners from £1.70 to £2.00, and those of general assistants from £1.80 to £2.05. The union had claimed £2.54 an hour for cleaners.

However, the company said it offered to raise pay to £1.98 an hour for cleaners and £2.00 an hour for general assistants before the ballot result was announced, and the settlement was only marginally higher.

BA alters pay rates in run-up to 1992

By Jimmy Burns, Labour Staff

BRITISH Airways has created for the first time separate basic pay rates for its staff in London and the South-East in a move trade unions fear could quicken the end of national pay bargaining within the company.

BA has told union officials representing 48,000 staff that the outer London weighting paid by the company as a separate allowance will be extended to Gatwick and consolidated into basic pay from January 1 1990.

The payment which could lead to substantially lower wages for about one-third of BA's staff who work elsewhere in the UK is being planned as part of an ambitious two-year pay package which the company hopes will insure the necessary "stability" in the run-up to 1992.

Under the deal, BA employees, including pilots, cabin-crews, administrative and ground and engineering staff, are being offered a 9 per cent increase on basic pay in the first year and a further increase of next year's inflation rate plus one per cent from January 1 1991.

The pay package will involve the extention for a further two years of a profit-sharing scheme which over the last year has led to further increases of 7 per cent for BA staff on profits in the year to March 31 of £268m.

Sir Colin Marshall, BA's chief Executive has told staff: "The ability which a two-year pay deal settlement brings is an essential ingredient for the effective management of the business in this challenging environment."

However Mr George Ryde, the TGWU transport union's national secretary for the civil aviation said yesterday that while the deal would be attractive to many South-East BA employees, it risked the future for their colleagues in other regions.

The company's proposals similar to those being planned by British Steel could prove a significant test of whether a drive by UK employers to break away from centralised collective bargaining is running out of steam. This year British Rail significantly amended its plans to end centralised national bargaining.

Survey says push for cut in hours is slowing

***By John Gapper,* Labour Editor**

THE PUSH towards shorter working hours across industry has slowed considerably over the past two years, and relatively few companies have harmonised the working hours of manual and clerical employees, a survey has found.

The study, by Incomes Data Services, found improvements in holiday entitlements in about a quarter of companies since 1987, but relatively few examples of companies continuing the trend in the early 1980s towards shorter working hours.

Published as strikes for a reduction in the working week in the engineering industry start today, the survey found some examples of companies increasing working hours of clerical staff to match those of manuals.

It provides further evidence to suggest that reduction in working hours has been a less important issue for both unions and management in Britain than in other European countries, which the engineering unions have used as comparators.

The survey of 450 agreements, across industries and within individual companies, found only 17 examples of cuts in hours.

There were 108 examples of agreements giving improved leave or holiday entitlements.

There were also few examples of organisations harmonising the basic working week for manual and non-manual workers, although an earlier survey of managers in the engineering industry found that 62 per cent were in favour of harmonisation.

Examples of agreements reducing the working week by half an hour included the surgical dressing industry.

The two organisations found to have reduced hours by more than an hour a week were Renault Trucks, which cut manual hours from 40 to 38 in June last year, and St Austell Brewery, which cut manual hours from 40 to 38½ last November.

Of the 108 agreements improving time off work, 26 were industry-wide deals. Many of them gave an additional day in holiday entitlement, although two gave improvements in service-related leave. Among the 55 companies in the chemical sector, 13 improved entitlements, while only 5 in the engineering industry did so.

● The long-term unemployed should be given "training vouchers" to exchange for occupational traineeships, a report published today recommends. Full Employment UK, the employment research group, warns that, when the Training and Enterprise Councils (TECs) become responsible for providing training programmes from next April, the long-term jobless could easily lose out.

COMPANY NOTICES

DIARY DATES

Business and management conferences

October 30
The Watt Committee on Energy: Energy: Today's decisions, Tomorrow's world (01-379 6875)
Guildhall, London

October 30
The Institution of Mining and Metallurgy: Mining finance (01-580 3802)
London

October 31-November 2
Blenheim Queensdale: UK National Conference on Paperless Trade
Queen Elizabeth II Conference Centre

October 31-November 2
Financial Times City Seminar (01-925 2323)
Plaisterers Hall, City of London

November 2
Concorde Services: Advertiser supported TV: threat or opportunity? (01-743 3106)
Hilton Hotel, London

November 3
The Chartered Institute of Management Accountants: Practical pricing policies (01-637 2311)
Crowne Plaza Hotel, Manchester

November 6-7
Financial Times Conferences: Business with Spain – strategies for 1992 and beyond (01-925 2323)
Palace Hotel, Madrid

November 10
HS Conference Studies: The probate and estate planning secretary today (01-936 2382)
The Park Lane Hotel, London

November 13-15
The American Tax Institute in Europe: 12th annual congress "New developments in US-European taxation" (01-935 7502)
Cannes

November 13-14
AIDA International: Trade in the single European market (Brussels 32(0)2 345 99 23)
Copenhagen

November 14-16
Blenheim Online: Computers in the City (01-868 4466)
Barbican Centre

November 14-15
FT Conferences: World Shipping (01-925 2323)
Amsterdam

November 16
The Henley Centre: The UK economy in the 1990's (01-353 9961)
Cavendish Conference Centre, London

November 16-17
FT Conferences: World Electricity 01-925 2323)
Hotel Inter-Continental, London

November 16-17
Business International: The coming wave of Japanese investment: implications for European business (01-493 6711)
Claridges Hotel, London

November 17
Acquisitions Monthly: Post-acquisition management (0823 332023)
Portman Hotel, London

November 20
IBC/ Ernst & Young: Claims reserving in the London insurance market – asssessing your fund practical examples (01-637 4383)
London Press Centre

Trade fairs and exhibitions: UK

November 2-5
London Money Show – MONEY (01-940 2244)
Olympia

November 7-9
International Banking Exhibition (01-749 9535)
Barbican

November 7-12
Kensington Antiques Fair (04868 22562)
Kensington Town Hall

November 11-19
Caravan, Camping & Holiday Show (01-222 9341)
Earls Court

November 11-19
"Daily Mail" International Ski Show (01-222 9341)
Earls Court

November 12-16
Wholesale Buyers' Gifts Fair (01-855 9201)
Olympia

November 14-16
International Coil Winding Exhibition (0799 26699)
NEC, Birmingham

November 14-16
Industrial and Domestic Heating, Ventilating and Plumbing Exhibition (01-680 7525)
Olympia

November 14-17
International Bus, Truck and Car Product and Manufacturing Technology Exhibition and Conference – AUTOTECH (021-780 4171)
NEC, Birmingham

November 19-22
Business to Business Exhibition (01-729 0677)
G-Mex Centre, Manchester

Overseas exhibitions

October 31-November 2
International Clothing Textiles Trade Fair – INTERSTOFF (01-734 0543)
Frankfurt

November 7-11
International Electronics Production Trade Fair – PRODUCTRONICA (01-948 5166)
Munich

November 8-11
International Office Environment Exhibition (01-486 1951)
Tokyo

November 14-18
International Maritime Equipment and Inland Shipping Exhibition (01-495 7977).
Amsterdam

November 15-19
International Machine Tools and Metalworkings Trade Exhibition and Conference – THAI METALEX (0494 729406)
Bangkok

November 21-25
Furniture and Woodworking Machinery Show (01-379 0765)
Taipei

November 27-30
Money Exhibition (01-930 3881)
Dubai

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

PARLIAMENTARY

Today

Commons: Football Spectators Bill, remaining stages.
Lords: Opticians Bill, report.
Employment Bill, report.

Tomorrow

Commons: Opposition debate on "The crisis for mortgage payers, tenants and homeless people."

Motion on the Licensing and *Clubs (Amendment)* (Northern Ireland) Order.

Lords: Debate on the European Community's committee report on nitrates in water.

Trade Union Act (Amendment) Bill, second reading.

Motions for approval on Northern Ireland Company Orders.

Question to *Government* on action to strengthen the hospice movement.

Select committee. European legislation: subject, French presidency programme. Witness: Mr Francis Maude, Foreign Office *minister. (Room 16, 11 a.m.)*

Wednesday

Commons: Motion on the National Health Service (General Medical and Pharmaceutical Services) *Amendment* Regulations until 7 p.m.

Motion on EC document on control of nitrates pollution.

Opposed private business after 7 p.m.

Lords: Local Government and Housing Bill, third reading.

Select committees. Environment: subject, contaminated land. Witness: Mr David Trippier, Minister for the Environment and Countryside. (Room 15, 10.30 a.m.)

Foreign Affairs: subject, operation of the Single European Act. Witness: Mr Christopher Prout, MEP. (Room 8, 10.30 a.m.)

Agriculture: subject, fish farming. Witnesses: Officials of Ministry of Agriculture, Fisheries and Food and Scottish Agriculture Department. (Room 20, 10.45 a.m.)

Welsh Affairs: subject, toxic waste disposal in Wales. Witnesses: National Association of Waste Disposal Contractors. (Room 18, 10.45 a.m.)

Defence: subject, low flying. Witnesses: Ministry of Defence officials. (Room 16, 10.50 a.m. and Room 15, 4.20 p.m.)

Energy: subject, British Coal Corporation report and accounts. Witnesses: Sir Robert Haslam, chairman, and officials. (Room 6, 11 a.m.)

Foreign Affairs: subject, operation of the Single European Act. Witnesses: Sir Michael Butler and Mr Glyn Ford. (Room 6, 4.15 p.m.)

Public Accounts: subject, national energy efficiency. Witnesses: Mr G. Chipperfield, Department of Energy, and Sir Terence Heiser, Department of the Environment. (Room 16, 4.15 p.m.)

Thursday

Commons: Debate on economic and monetary union.
Lords: Opticians Bill, third reading.

Employment Bill, third reading.

Football Spectators Bill, consideration of Commons amendments.

Friday

Commons: Debate on road safety.

FINANCIAL

TODAY

COMPANY MEETINGS-
B.C.E. Hldgs., Hilton Hotel, Bristol, 12.00
G.T. Japan Inv. Tst., 6, Devonshire Square, EC., 12.30
Stonehill Hldgs. Portman Hotel, Portman Square, W., 4.00

BOARD MEETINGS-
Finals:
GBC North America
Video Tape Recording
Interims:
Cambridge Instruments
Marks & Spencer
Medirace
Rowe Evans Invs.
Trielus
Usborne

DIVIDEND & INTEREST PAYMENTS-
A.T.A Selection 1p
Aberdeen Steak Houses Grp. 0.75p
Associated Nursing Services 2p
Baltic 1.7p
Barr & Wallace Arnold Tst 5p
Do. A (Non.V) 5p
Canadian Pacific 23cts.
Dow Chemical 97.5cts.
Epicure 0.28p
Finlan Grp. 2.7p
IBM Credit Corp 8⅞% Nts 28/10/91 4⁷⁄₁₆pc.
McLaughlin & Harvey 3.25p
Magnetic Materials Grp. 2.1p
New Zealand Inv. Tst. 1.8p
Nichols (J.N.)(Vimto) 4p
Northern Foods 7¼% Deb. 1985/90 3⅝pc.
Parkfield Grp. 7% Cnv. Pf. 3.5p
Do. Pf. 20/10/13 4.5005p
Severfield-Reeve 1p
Sutcliffe Speakman 2p
Tozer, Kemsley & Millbourne Hldgs. 1.5p
Try Group 2p
Tyne Tees TV. Hldgs. 6p
Wates City of London Properties 0.77p
Wyndham Group 3p

TOMORROW

COMPANY MEETINGS-
Aberdeen Steak Houses Grp., Coventry House, 21, Coventry Street, W., 10.00
Armour Tst., 100, Liverpool Street, EC., 12.00
Lincat Grp., Station Rd., N. Hykeham, Lincoln, 10.30
Polypipe, Hotel Britannia Inter-Continental, Grosvenor Square, W., 12.00
St. David's Inv. Tst., Queens Chambers, 2, North Street, Newport, Gwent, 12.15

BOARD MEETINGS-
Finals:
Intl. City Hldgs.
Keystone Inv.
U.D.O. Hldgs.
Unigroup
Interims:
Anglo American Coal
Era Group
Gresham House
MBS
Office & Electronic Machines
Prowting
Ralston Intl.
Reed Intl.
Stormgard

DIVIDEND & INTEREST PAYMENTS-
Alexon Group 5% Cm. Prf. 1.75p
Allied Irish Banks SubPrimCapPerp FRN $237.89
Alumasc Group 5.35p
Amber Day Hldgs. 10½ Pf. 1999/2002 5.25p
Arley Hldgs. 11% Pf. 5.5p
Armour Tst. 10½% Uns. Ln. 1991/96 5¼pc.
Astra Hldgs. 2.6p
Attwoods (Finance) NV 8½p Gtd. Cnv. Pf. 4.25p
Banco LatinoamericanoDeExport Fltg. Rate Nts. 1990 $578.02
Bank of Montreal Fltg. Rate Debs. Sers. 9 1995 $228.4
Bank of Nova Scotia Fltg. Rate Debs. 2000 $362.25
Bankers Investment Trust 10½% Deb. 2016 5¼pc.
Barlow Rand 6% Pf. 6cts.
Batleys 10% Pf. 5p
Beckenham Group 9% Non-Vtg. Pf. 4.5p
Birmec Inds. 8.5% Cnv. Uns. Ln. 1991 4.25pc.
Blacks Leisure Group 10% Pf. 5p
Blackwood Hodge 4.7% Pf. 2.35p
Blundell-Permoglaze Hldgs. 7¼ Uns. Ln. 1990/95 3⅝pc.
BAT 6% 2nd Cm. Prf. 2.1p
Brixton Estate 6¼% 1st Mtg. Deb. 1985/91 3⅛pc.
Brown & Tawse Grp. 7% Pf. 2.45p
Burmah Oil 6% 1st Pf. 2.1p
Do. 6% 2nd Pf. 2.1p
Do. 7¼% Pf. 2.5375p
Do. 8% Pf. 2.8p
Campbell Soup Shs of Cap. 28cts.
Caniora 7½% Pf. 2.625p
Capital & Counties 5¾% Cnv. Pf. 2.875p
Chemring Group Cnv. Pf. 3p
Do. 4.9% Pf. 2.45p
Citicorp Banking Corp Gtd. Fltg. Rate Sub. Cap. Nts. 30/10/96 $228.4
Do. Gtd. Fltg. Rate Sub. Cap. Nts. 30/1/97 $228.4
Clutsom-Penn Intl. 6½% Deb. 1985/90 3¼pc.
Do. 7½% 2nd Deb. 1986/91 3¾pc.
Clyde Petroleum 0.5p
Cookson Grp. 7% Pfd. 1.225p
Cowan de Groot 10½% Pf. 5.25p
Cresta Hldgs. 0.8p
Crowther (John Edward)(Hldgs) 5½% Pf. 1.925p
Dundee & London Investment Tst. 5% Pf. 1.75p
E.R.F.(Hldgs.) 10% Pf. 5p
El Oro Mining & Exploration Co. 10p
Electron House 3.1p
Ellis & Everard 7¼% Deb. Stk. 1987/92 3⅝pc.
English Property Corp. 9⅞% 1st Mtg. Deb. 1997/2002 4¹⁵⁄₁₆pc.
Estates & General Investments 6%(Net) Cnv. Pf. 3p
Estates Property Investment Co. 10% 1st Mtg. Deb. 2011 5pc.
Do. 7¾% Uns. Ln. 1989/92 3⅞pc.
Evans of Leeds 11% 1st Mtg. Deb. 2025 5½pc.
Exploration Co. 5p
Flotax 0.75p
Finland (Rep. of) Fltg. Rate Nts. 1990 $464.23
First Nat. Finance Corp 10% Sub. Uns. Ln. 1992 5pc.
Fitch-RS 3.5p
Foreign & Col. Invest. Tst. 7% Uns. Ln. 1988/93 3½pc.
Gartmore Value Investments 12.34% Deb. 1995 5.84662p
Gold Greenlees Trott 4.5p
Guildhall Property Co. 6% Pf. 2.1p
Halifax Building Soc. Fltg. Rate Ln. Nts. 1996(Ser A) £88.64
Hawthorn Leslie Group 0.25p
Haynes Publishing Grp. 11p
Headlam Grp. 0.75p
Heavitree Brewery 11½% Pf. 5.75p
Hodgson Hldgs. 6.75p(Net) Cnv. Pf. 3.375p
Howden Grp. 7¾% Deb. 1986/91 3⅞pc.
Do. 8¼% Deb. 1986/91 4⅛pc.
Huntleigh Technology 0.75p
International City Hldgs. 8½% Cnv. Pf. 4.25p
Jackson(William) & Son 7½% Pf. 2.625p
Johnson Matthey 8½% Mtg. Deb. 1986/95 4¼pc.
Kingfisher 8½% Cnv. Uns. Ln. 2000 4¼pc.
Kleinwort Benson Int. Inc. Bond Fund Ld. Ptg. Pf. 27.8p
LASMO Oil Prod. Stk. Units 11.7004p
Land Securities 6% 1st Mtg. Deb. 1988/93 3pc.
Do. 7¼% 1st Mtg. Deb. 1991/96 3⅝pc.
Latham(James) 8% Pf. 4p
Lilley 1p
London American Ventures Tst. 3½% Deb. 1¾pc.
Do. 4% Deb. 2pc.
London Merchant Securities 7¾% Cnv. Uns. Ln. 2000/05 3⅞pc.
Lowe(Robert H.) & Co. 6½% 1st Pf. 2.275p
Do. 87.5% (net) Cnv. Pf. 5.92p
MB Grp. 2p
MTL Instruments Group 1p
McAlpine(Alfred) 9% Pf. 4.5p
Macante(London) 7½% Uns. Ln. 1986/91 3¾pc.
Do. 7¾% Uns. Ln. 1986/91 3⅞pc.
Marine Development Grp. 5.5p
Marley 2.1p
Maxwell Communication Corp 6p
Mayborn Grp. 1.3p
Mayne Nickless A$0.18
Menzies (John) 2p
Metal Closures Grp. 2.35p
Morgan Grenfell Grp. 4.25p
Nestor-BNA 1p
Newarthill 8.775% Pf. 3.1221p
Norbain Electronics 0.7p
Nova Scotia (Province of) 16¾% Ln. 2011 8⅜pc.
Oliver Grp. 1p
Do. "A" Non-V. 1p
Optical & Medical International 3.46p
PHH Corp Shs of Com. of NPV 29cts.
Peel Hldgs. 10% Pf. 2.5p
Do. New 8¾% 1st Mtg. Deb 2011 4.4038p
Do. 9¾% 1st Mtg. Deb. 2011 4⅞pc.
Peel South East 10% 1st Mtg. Deb. 2035 5p
Do. 12.5% 1st Mtg. Deb. 2015/20 6.25p
Do. 11.625% 1st Mtg. Deb. 2018 5.8125p
Portsmouth & Sunderland Newspapers 8% Pf. 2.8p
Do. 10.5% 2nd Pf. 5.25p
Proudfoot (Alexander) 3.5p
RPS Grp. 1.2p
Racal Electronics 7% Cnv. Uns. Ln. 2009/14 3½pc.
Record Hldgs. 1p
River & Mercantile Tst. Stepped Pf. Shs. 2.31525p
Rockware Grp. 7.25% Cnv. 2nd Pf. 3.625p
St. David's Investment Tst. 6p.
Sale Tilney 5p
Scottish & Newcastle Breweries 4.6% Pf. 2.3p
Do. 6.425% Pf. 3.2125p
Do. 7.1% 1st Mtg. Deb. 1985/90 3.55pc.
Do. 7.6% 1st Mtg. Deb. 1989/94 3.8pc.
Scottish Investment Tst. 4% Perp. Deb. 2pc.
Do. 4½% Perp. Deb. 2¼pc.
Do. 5% Perp. Deb. 2½pc.
Seagram Distillers 12⅞% Deb. 2012 6⁷⁄₁₆pc.
Sharpe & Fisher 1.5p
Shaw Carpets 8½% Deb. 1988/93 4¼pc.
Shires Investment 3.6p
TR City of London Tst. 10¼% Deb. 2020 5⅛pc.
Texaco Intl. Financial Corp 8% Stlg/$ Cnv. Gtd. Ln. 1981/99 4pc.
Tharsis Company 3p
Toronto-Dominion Bank C$0.19
Transamerica Corp 49cts.
Triplevest 9.9p
Trusthouse Forte 3.5p
Do. 6.25% 1st Mtg. Deb. 1988/90 3⅛pc.
Do. 7.25% 1st Mtg. Deb. 1986/91 3⅝pc.
Do. 10.5% Mtg. Deb. 1991/96 5¼pc.
Do. 9.1% Uns. Ln. 1995/2000 4.55pc.
Do. 6.25% 1st Mtg. Deb. 1984/89 3⅛pc.
USF & G Corp. 70cts.
Vaux Grp. 4½% A Pf. 1.575p
Do. 6½% A Pf. 2.275p
Do. 7% Pf. 2.45p
WPP Grp. 8.25p(net) Cnv. Pf. 2.55411p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $82
Do. Fltg. Rate Sub. Nts. 2000 $81.67
Wembley 0.7p
West Trust 0.25p
Westminster & County Props. 8% Uns. Ln. 1989/94 4pc.
Westpool Investment Trust 5% Cnv. Uns. Ln. 1989/94 2½pc.

WEDNESDAY NOVEMBER 1

COMPANY MEETINGS-
Armstrong Equipment, Brewers Hall, Aldermanbury Square, EC., 12.00
Bellwinch, Portman Hotel, 22, Portman Square, W., 12.00
Bryant Group, Cranmore House, Cranmore Boulevard, Solihull, W. Midlands, 12.15
Ramar Textiles, Hyde Park Hotel, SW., 12.00

BOARD MEETINGS-
Finals:
Ashley Grp.
Bridport-Gundry
Cook (William)
Fenner (J.H.) (Hldgs.)
Interims:
Brit. Island Airways
Chelsea Artisans
Powerscreen Intl.
RIT Capital Partners
Rechem Envtl. Servs.
Securities Trust of Scotland

DIVIDEND & INTEREST PAYMENTS-
AMI Healthcare Grp. 4p
APV 3.15% Pf. 1.575p
Do. 4.55% Pf. 2.275p
Do. 5.25% Pf. 2.625p
ASD 1.7p
Abbeycrest 1.2p
American Information Tech. Corp 73cts.
American Telephone & Telegraph Co. 30cts.
Anglo American Industrial Corp 5.825% Pf. 1.27497p
Asda Property Hldgs. 0.8p
Associated British Port Hldgs. 4.5p
BET 4½% 2nd Deb. 2¼pc.
BTP 7.5p(net) Cnv. Pf. 3.75p
Baldwin 1.15p
Bardon Grp. 5p(net) Cnv. Pf. 2.5p
Beattie (James) "A" 1.2p
Bell Atlantic Corp 110cts.
Bellsouth Corp 63cts.
Bristol Corp Deb. (3½%) 1¾pc.
British Investment Tst. 5¼% Pf. 1.8375p
British Mohair Hldgs. 1.4p
British Shoe Corp Hldgs. 6½% 3rd Pf. 2.275p
Bunzl 2.6p
Edinburgh Investment Tst. 7½% Deb. 1995 3¾pc.
ELF UK 12¼% Uns. Ln. 1991 6⅛pc.
Exchequer 3% Gas 1990/95 1½pc.
F.& C. Pacific Investment Tst. 0.5p
Ferranti Intl. Signal 3.85% 3rd Pf. 1.925p
G.T. Japan Investment Tst. 3.1p
Genfinance 11.31% Ln. 2007(Reg) 5.655p
Do. (Br) 5.655pc.
Glaxo Grp. 7¾% Uns. Ln. 1985/95 3⅞pc.
Govett Atlantic Inv. Tst. 5% 1st Deb. 1985/90 2½pc.
Hardys & Hansons 5% 1st Pf. 1.75p
Do. Irrd. 4% Deb. 2pc.
Hewitt (J.) & Son (Fenton) 1p
Hobsons Publishing 2.4p
King & Shaxson Hldgs. 5% Pf. 1.75p
Lamont Hldgs. 5.6% 2nd Pf. 2.8p
Do. 6% Pf. 1.05p
Do. 10% 3rd Pf. 5p
Lancaster 1.5p
Leeds Fireclay Co. 4% 1st Mtg. Deb. 2pc.
Lewis (John) Properties 8¼% Deb. 1993/98 4⅛pc.
Lincoln National Corp 62cts.
Lloyds Chemists 7.5p (net) Pf. 3.75p
Londonderry Port Harbour Comm 3½% Cons. 1¾pc.
M.&G. Extra Yield Fund 7.61p
Marks & Spencer 10% Pf. 3.5p
Marshalls 10% Pf. 5p
Merchants Trust 4% Perp. Deb. 2pc.
Mid-Southern Water Co. 10% Deb. 1995/98 5pc.
Montreal (City of) 3% Perm. Deb. 1.5pc.
NYNEX Corp 109cts.
National Australia Bank 14% Nts. 1991 7pc.
New Kleinfontein Props. 27cts.
New South Wales Treasury Corp 12.5% Gtd. Exch. Bds. 1993 6.25pc.
Nicor 50cts.
North American Tst. 3½% Pf. 1.75p
Norwich Corp 3% Rd. 1.5pc.
Nottingham Corp 3% 1.5pc.
Ocean Transport & Trading 4.24p
Parkland Textile (Hldgs.) 3.15% Pf. 1.575p
Pentland 0.25p
Pentos 4½% Pf. 1.575p
Platignum 6% Pf. 1.05p
Polypipe 2.08p
Ransomes 1.95p
Reading Corp 3½% 1878(or after) 1.75pc.
Scottish Agric. Sec. Corp. 3½% Deb. 1953/93 1.75pc.
Do. 13% Deb. 1997/99 6.5pc.
Scottish Investment Tst. 3.5% Pf. 1.75p
Do. 3.85% Pf. 1.925p
Do. 4.55% "A" Pf. 2.275p
Sheafbank Property Tst. 0.65p
Do. 7½% Pf. 2.625p
Do. 6% Cnv. Pf. 3p
Sieger & Friedlander Grp. 1p
Southwestern Bell Corp 65cts.
Systems Reliability Hldgs. 0.75p
Torchmark Corp 35cts.
Trade Indemnity Grp. 0.68p
Treasury 6¾% Ln. 1995 3⅜pc.
Trielus 20% Pf. 1.75p
US West 94cts.
Union Intl. Co. 7% Pf. 2.45p
Verity Hldgs. 7½% Deb. 1987/92 3¾pc.
Watney, Mann & Truman Hldgs. 7⅛% Deb. 1987/92 3⅝pc.
Do. 5½% Uns. Ln. 2¾pc.
Do. 8⅛% Uns. Ln. 4⅛pc.
Whitbread & Co. 6% 3rd Pf. 2.1p
Do. 7% 3rd Pf. 2.45p
Do. 4½% 1st Pf. 1.575p
Wilkes (James) 4.25p
Young's & Co. Brewery 7¼% 1st Mtg. Deb. 1986/91 3⅝pc.

THURSDAY NOVEMBER 2

COMPANY MEETINGS-
Dowding & Mills, Chamber of Commerce, 75, Harborne Road, Birmingham, 12.00

BOARD MEETINGS-
Finals:
G.R. Hldgs.
Low (Wm.)
M.M.T. Computing
Smart (J.) & Co.
Interims:
Brit. Borneo
Burtonwood Brewery
Warnford Invs.
Westbury

DIVIDEND & INTEREST PAYMENTS-
Bilston & Battersea Enamels 1.75p
Boddington Grp. 1.85p
Bristol & West Building Society Fltg. Rate Nts. 1994 £351.3
Commonwealth Bank of Australia 13½% Nts. 1993 6.75pc.
Dowding & Mills 1.62p
Finlay Packaging 0.75p
Fisher (James) & Sons 2p
Great Southern Grp. 2.6p
Royal Sovereign Grp. 1.4p
Steel Burrill Jones Grp. 3p
Stewart & Wight 75p
United Newspapers 7.5p
Watmoughs (Hldgs.) 2.5p

FRIDAY NOVEMBER 3

COMPANY MEETINGS-
First Spanish, Inv. Tst., 40-66 Queen Victoria Street, EC., 12.00
Walker (Thomas), Midland Hotel, Birmingham, 12.00

DIVIDEND & INTEREST PAYMENTS-
Anglo American Gold Investment Co. 148.67168p
Ash & Lacy 2.5p
Astec (BSR) 0.7p
Blockleys 1.95p
Bowater Industries 8.5p
Britannia Grp. 1.8p
CALA 2.25p
City Centre Restaurants 0.45p
Colorgraphic 1.84p
Copymore 0.8p
General Motors Accept Corp Canada 9% Nts. 3/11/94 4.5pc.
Greece Fund (Reg) 4.5cts.
Do. (IDR to Br) 4.5cts.
Herring Son & Dawes Hldgs. 2.5p
Highcroft Investment Tst. 1.4p
Ipeco Hldgs. 1p
Joe Hldgs. 3.25p
Kingfisher 3.6p
Kleinwort Smaller Co's Inv. Tst. 1.35p
Korea-Europe Fund 7cts.
Do. (IDR to Br) 7cts.
London & Metropolitan 2.4p
Mersey Docks & Harbour Co. 1.85p
Nat. West Bank Var. Rate Cap. Nts. 2006 $218.82
Pearson 9p
Plaxmec 1.6p
Smith (W.H.) Group A 6.8p
Do. B 1.36p
Treasury 15¼% Ln. 1996 7.625pc.
UK Paper 2.1p
VG Instruments 2.2p
Vickers 3.3p

SATURDAY NOVEMBER 4

DIVIDEND & INTEREST PAYMENTS-
ASW Hldgs. 4p
Cornwell Parker 3.6p
Do. A Non-Vtg. 3.6p
New Zealand 11¼% 2006 5.625pc.
Walker (Thomas) 1.22p

APPOINTMENTS

Lord Chilver joins ICI

Lord Chilver *(above)*, chairman of English China Clays, and of Milton Keynes Development Corporation, has been appointed a non-executive director on the ICI board from January 1. Lord Thomson of Monifieth, a non-executive director, retires at the end of the year.

■ Count Batthyany has been appointed to the board of *TRANWOOD EARL*, the investment banking group, as a non-executive director. He was previously a senior adviser to Commerzbank. Shaikh Amin al-Dahlawi is retiring.

■ At J.W. SPEAR & SONS Mr Paul Lipscomb has been made a director. He was formerly a director of Borthwicks, financial controller of British Airways, executive vice-president of Cinema International Corporation and a divisional director of Rank Xerox.

■ AVIATION HOLDINGS, an aircraft finance company, has been formed and capitalised at $160m. Mr Stephen Matthews has been appointed chairman; he is ex-joint founder of International Leisure Group. Mr Martin A. Train becomes chief executive. He is chief executive of Electra Aviation, main trading subsidiary of Aviation Holdings. Also joining the board are: Mr Hugh Mumford, director of Electra Investment Trust; Mr Graham Axford, director of James Capel Corporate Finance; Mr Anders Claesson, senior vice president, chief financial officer, SAS; and Mr Lars Rantzen, vice president, fuel and aircraft trading, SAS.

■ Mr Alaster Cunningham, chairman, Abercromby Corp; Mr Edward Pysden, senior corporate finance partner, Alexander Tatham; and Mr Craig Robinson, managing director, C.A.R. Organisation; have been appointed non-executive directors of SPICE, motor parts distributor. Mr Marius Gray has retired as a non-executive director. Mr Tim Jackson becomes an executive director. He moves from Olympus Sport International.

■ Mr Rick Hudson has been appointed manager, London underwriting centre, ROYAL INSURANCE (U.K.). He was regional support manager, Royal International.

Sales director at Pan Products

PAN PRODUCTS has appointed Mr Mike Scull *(above)* as sales director from October 30. He was national accounts manager, outdoor products, Black & Decker.

Guardian Royal Exchange post

From April next year Mr John Sinclair *(above)* becomes managing director of GUARDIAN ROYAL EXCHANGE's UK operations, including life and non-life. He succeeds Mr Sid Hopkins who is to be GRE's chief executive. Mr Sinclair is assistant general manager (field operations).

■ BAXTERS OF SPEYSIDE has appointed Mr Ian Fraser as buying director, and Mr Alan Christie as distribution/production planning director. Both have been with the company since the early seventies.

■ APRICOT COMPUTERS has appointed Mr Harvey Parr as managing director, public sector division. He was British Telecom director of marketing, customer systems.

■ Mr Jonathan A. Eames has been appointed an associate director of BRADSTOCK CARONDENE.

■ *Mr Charles Cotton has* been appointed to the new post of director of international marketing, SHANDWICK. He was managing director of Thermal Scientific Inc.

■ MONKS & CRANE has appointed Mr Owen Boylan as managing director of the fixings division. Mrs Helen Palmer, financial controller, becomes company secretary, replacing Mr John Juggins, finance director, who is leaving. Mr Bob Browning, group purchasing director, is also leaving.

■ Mr Andrew B. Moss has been appointed director and general manager of Serck aviation division, part of DUNLOP AEROSPACE GROUP. He succeeds Dr Tony Scanlon who has become managing director, Dunlop aviation division. Mr Moss was operations manager with Serck.

■ Mr Paul Handley has been appointed finance director of MANSFIELD BREWERY from December 4. He is currently finance director of Toby Restaurants, a subsidiary of Bass.

■ Mr Ian Butler will be retiring as chairman of the *COOKSON GROUP* following the annual meeting in May 1990, and will be succeeded by Mr Michael Henderson who continues as group chief executive. Mr Butler will remain on the board as a non-executive director.

Marketing man for BAA Hotels

Mr Malcolm Wood *(above)* has been appointed marketing and sales director of BAA HOTELS from the end of November. He was director of marketing, English Tourist Board.

■ ROBERT M. DOUGLAS HOLDINGS has appointed Mr W. Arnold Barcroft as a non-executive director. He recently retired as chairman and managing director of George Dew, Oldham.

BT product development

Ms Susanne Henry has been appointed general manager, new product development for marketing and information services at BRITISH TELECOMMUNICATIONS. She will continue as managing director of BT Citycall. Before joining BT, Ms Henry, an American citizen, was involved in corporate strategy development for Ameritech, the regional Bell operating company for the mid-western US, headquartered in Chicago.

LEGAL COLUMN

Analysis provides key to effective marketing

By Robert Rice, Legal Correspondent

ALTHOUGH advertising remains a somewhat dirty word among law firms, marketing is fast becoming flavour of the month. What lawyers understand by the term "marketing legal services," however, varies from firm to firm.

Some firms have developed quite sophisticated marketing operations, with their own marketing departments run by professional marketing directors brought in from outside.

But the majority remain wedded to the popular misconception that marketing is primarily concerned with raising the firm's profile with its clients *through seminars, booklets*, press coverage, lunches and hospitality days.

Such activities have their part to play in a firm's marketing plans, but they are not essentially what marketing is all about. They do not, for example, help to distinguish one large, well respected, corporate City practice from another in a way that will help it to attract new clients or tailor its services better to meet the needs of existing clients and so retain their business.

Marketing should be concerned primarily *with determining what* services should be sold to which clients. That requires thorough analysis of the firm's market and detailed assessment of client needs.

In the fifth of its series of papers on strategic issues for law firms, the Spicers Consulting Group, part of Spicer and Oppenheim International, looks at law firm marketing and in particular at some of the misconceptions surrounding it.

Apart from the main misconception that marketing is all about raising the firm's profile, those firms which take marketing seriously seem to believe that responsibility for marketing is best placed in the hands of a marketing director from outside the firm.

Marketing directors can make an important contribution to a law firm's marketing, as Spicers readily admits. However, he or she is no more or less than a resource to help those who manage the firm's professional resources.

Unless the principal responsibilities for marketing are held by the firm's managing partner and the various *heads of department, the function will* never be more than a vestigial activity, it warns.

Clients immediately recognise the difference between token attempts at marketing and marketing driven by those who are managing the business.

Good practice is exemplified by the chief executive who told Spicers how much he appreciated the twice-yearly visits from a firm's client service partner to review the quality of the legal services provided; *bad* practice, by the client who winced when recalling a hospitality event mounted by a tradi*tional City law firm, where drinks* were served by people wearing T-shirts with the firm's name emblazoned across the front.

Another popular misconception is that if a firm is to take marketing seriously, then a substantial marketing department has to be built up consisting of public-relations officers, marketing assistants and information officers.

If, as Spicers suggests, the secret of successful marketing is making it the responsibility of those who manage the firm's professional resources, then the marketing department of a law firm should concentrate on helping the firm's central management team to formulate and develop the strategy of the firm as a whole, and on coaching the firm's managers and staff in techniques of marketing so that each department can produce and implement a realistic marketing plan.

It is also a myth that marketing *techniques will enable a firm to pres*ent each of its main services to the market in a form that will be attractive to all its target clients.

The presentation of a particular service will probably have to vary substantially between different segments of the market, because clients in different segments will almost certainly buy services on different bases.

As an example, Spicers suggests that clients in one segment might be receptive to competition law as a service on its own, but clients in another segment might only be receptive to competition law as part of a group of services marketed as mergers and acquisition law.

In both cases the service in compe*tition law provided by the firm* will be broadly the same, but skilful marketing ensures that it is packaged in a way that best fits the needs and buying *habits of different segments of the* market.

The recognition of such client differences must also extend to the way the service is delivered, Spicers warns. Some clients will demand round-the-clock service with teams of lawyers working flat out to meet transaction deadlines. Others may demand a more measured response.

Such differences may appear obvious to the lawyer in particular cases, but marketing expertise should help the firm to identify the priorities for achieving a high quality of service in the case of every target client.

What steps should firms be taking to ensure they are developing an effective approach to marketing? The first step, according to Spicers, is to link marketing to the firm's business *strategy as set out in a business plan* which describes strategic objectives, time scales and accountabilities for implementing the business strategy.

It is when marketing reaches departmental level that it often begins to fall apart. It is vital, therefore, that heads of department should develop marketing programmes that target the client companies and the particular contacts in them and identify the principal needs of those clients, based on an understanding of the client's business.

Firms must identify what are the *chief issues facing the particular cli*ent's business. What is he most worried about? In the light of those issues, what are the client's main *business objectives*? Are they, for example, to acquire businesses that will give a greater spread of risk? Or to establish alliances in leading European *countries ahead of 1992?*

Lawyers must ask themselves what role legal services can play in the attainment of the client's *objectives* and how they, as legal advisers, can play a more forward-looking role in the provision of those services.

And just as the client's particular services must be identified, so must the most appropriate methods of marketing *the firm's services* to the client's circumstances.

For some clients, lunches at which the client has an opportunity to meet partners beyond *his normal range* of contacts, as well as other important clients, will be appropriate. For others, informal presentations to stimulate discussion of the main *business* issues facing the client or regular review meetings will be more suitable.

In all cases, Spicers reminds lawyers that homework on the client is essential. Spicers has heard scathing *comments from clients about* halfhearted attempts by some law firms to market themselves by "turning up for a chat" without purpose or background research.

Sound research on the client will help the law firm to pitch the discussion at a business level, rather than a technical level. *That* will strongly suggest genuine concern about the client's unique set of circumstances.

"These signals can do more to differentiate a law firm from its competitors than any number of brochures, and free trips up the Thames," Spicers says.

Above all, each department's marketing plan must be explicit about who is to achieve what by when.

By *doing so*, a firm can ensure that marketing becomes a way of life for every fee earner, not *something special*, nor something done only by those believed to have a particular flair for it.

Strategic Issues for Law Firms: Marketing. Spicers Consulting Group, 13 Bruton St, London W1X 7AH.

APPOINTMENTS WANTED

MANAGEMENT

A tortoise that stays within its shell

Guy de Jonquières suggests that Matsushita's attitude to the European business climate is ambivalent

In Japan's consumer electronics industry, Matsushita Electric is a giant tortoise among hares. Though rarely the first with a new product, it regularly out-distances nimbler competitors thanks to its rigorous management systems, marketing muscle and a workforce drilled to marine corps standards of discipline.

The formula, reminiscent of that at IBM, has made Matsushita undisputed industry leader, with worldwide sales last year of Y5,504 bn (£24bn). Like IBM, Matsushita also has an almost arrogant reputation for doing things its own way; its adherence to rulebook procedures is legendary, and it makes not only most of its own components, but the equipment to manufacture them as well.

However, as its overseas sales and manufacturing grow in importance, the company faces a new challenge: how to reconcile the stern disciplines of the "Matsushita Way", which have worked so successfully in Japan, with the very different social, political and economic conditions which confront it overseas.

In Europe, where sales approached Y700bn last year, the company already has more than 30 subsidiaries. They embrace 21 wholly or partly-owned plants, making products from components to televisions, video recorders (VCRs), microwave ovens, mobile telephones and office equipment. These operations employ 17,000 people, roughly a sixth of all Japanese employment in Europe.

However, like many Japanese rivals, Matsushita thinks that the politics of business in Europe require it to deepen its presence there. It wants not only to boost local content – currently one third of local production – so as to avoid Brussels' sanctions on "screwdriver" plants, but also to integrate its operations more closely with host economies.

"Our understanding is that to get into a society, it is necessary to contribute to it. We believe that is the only way to survive in business," says Koju Suzuki, managing director of Panasonic Europe, the management unit set up by Matsushita last year to co-ordinate its operations in the region.

One answer, he says, is to transfer technology by collaborating with European companies. Matsushita already has successful joint manufacturing ventures with Philips (dry batteries) and Bosch (VCRs and compact disc players), and this month set up a third, with Siemens, in passive electronic components.

Suzuki, who is keen to form further joint ventures in Europe, says the key to effective partnerships is to agree a clear division of responsibilities from the start. In practice, the example of MB Video (see accompanying article) suggests that Matsushita holds the whip hand, and that decisions on manufacturing and product strategies are still mostly taken 6,000 miles away in Japan.

Indeed, for all Matsushita's ambitions to "localise", it has so far kept tight central control on its European operations. Senior executives fly back to headquarters in Osaka as many as 10 times a year, and all four board members of Panasonic Europe and 30 of its 40 staff are Japanese. Suzuki says he has no plans for the foreseeable future to appoint any European board members, nor to establish local research and development facilities.

None the less, the company says it wants to give European staff more management responsibility. Characteristically, it is taking a cautious approach. Unlike its arch-rival Sony, which uses headhunters extensively to recruit local managers, Matsushita believes in growing its own talent – however long it takes.

It recently set up a European training centre in West Germany. Independently, Panasonic UK, its British sales and marketing arm, is seeking to groom a cadre of young British executives for top jobs 10 to 15 years from now. Since 1984, the subsidiary has recruited graduates from UK universities at the rate of one a year.

The graduate trainees, who are guaranteed promotion to middle management after five years, are sent for a year's training in Japan. According to Ken Sakakibara, managing director of Panasonic UK, the purpose is not to learn the language, but to absorb Japanese culture and discipline. "If British staff are convinced by this experience, then they will express it naturally in their own way," he says.

By all accounts, the programme is extremely popular. However, soon after their return to Britain, several trainees have flouted one of Matsushita's most cherished principles, lifetime loyalty to the company, by resigning.

Sakakibara says they left because their Japanese experience drew tempting job offers from elsewhere. But others in the company say the trainees also became demoralised because they were assigned to relatively menial jobs after they returned and were unsure about their long-term career prospects with Matsushita.

Sakakibara recognises that keeping up morale is vital to his longer-term objectives: "The only way I can do it is to give a future dream to our staff. I try to show them our five-year plan every year and then I ask them for their dreams. I'm asking, what kind of company do you want? I want to make it that kind of company."

However, a wide gulf still appears to separate the aspirations of Matsushita's European staff and what the company expects of them. Comments by one of its senior Japanese managers in Europe, who asked not to be named, point to the breadth of the differences. "Local managers are always coming to me asking for more authority," he says. "I want to offload more tasks. But I cannot be sure things will be done the way I want.

"I will give you an example. This summer, I was very upset that trees outside our offices were dying of drought and there were empty paper cups lying on the ground. In Japan, our office workers would have watered the trees and picked up the litter.

"But here, our staff did nothing until told to by me. Until they start doing things like that by themselves, I cannot begin to give them more authority. I cannot have full confidence in people who do not exercise their own judgment."

How far Europeans can be induced to share such distinctive concepts of managerial responsibility, and how far Matsushita will need to change its own ways to keep local staff happy, is an open question. Until it is resolved, joint ventures may offer the least difficult way to bridge the cultural divide.

MB Video cements its trial marriage and considers further venturesome offspring

When Matsushita and Bosch, the large West German vehicle components manufacturer, embarked on a joint venture to assemble video recorders (VCRs) in 1982, they decided on a trial marriage. Unsure how well they would get on together, they limited their initial agreement to three years.

Though their arrangement has not proved entirely problem-free, any fears of divorce are long forgotten. The venture, MB Video, is heading for a profitable turnover of DM 400m this year and its two German plants are churning out roughly 600,000 VCRs and 400,000 compact disc (CD) players annually.

Encouraged by these results, the parent companies are talking about extending their collaboration to communications systems and automotive electronics.

MB Video's commercial success defies the copious evidence that despite – or perhaps because of – their shared commitment to engineering excellence and social consensus, German employees find it harder than any other European nationality to work with Japanese companies.

Matsushita – with 65 per cent of the joint venture's equity, a casting vote on its board (which has never had to be used) and control over products and technology – is indisputably the senior partner. "Matsushita dominates the business, that is for sure. Bosch gives some assistance," says Joachim Reinhart, MB Video's joint managing director since the outset.

The two sides have got along partly because Bosch's top management is convinced that Europe can survive in consumer electronics only by teaming up with the Japanese.

However, much of the credit also goes to Reinhart, whose management skills are warmly praised in a recent autobiography by Toshihiko Yamashita, president of Matsushita until 1986.

Reinhart shares responsibility at MB Video with Toshihisa Mukai, a Matsushita appointee. (A dual structure also applies to the venture's other management posts, with Japanese executives giving "advice" which Germans put into effect.)

Mukai deals with technical and product matters, while Reinhart looks after the commercial side. His role in personnel affairs is particularly important, and he personally recruited all MB Video's German managers and many of its 1,000 employees.

However, while Reinhart has proved an effective conciliator of cultural differences between Germans and Japanese, he is by no means a compliant yes-man. He does not hesitate to speak his mind about MB Video's shortcomings, and is eloquent in insisting that Matsushita needs to give the venture's management more independence.


Joachim Reinhart: "Matsushita dominates the business. Bosch gives some assistance"

"The Japanese are always convinced that their way is right and need a lot of persuasion to change their minds, especially on technical matters," he says. "They are also not used to operating in developed countries.

"Mukai says it is very easy to operate in south east Asia because engineers there follow instructions without questions. In Germany, engineers are always asking questions, and the Japanese don't like to explain. That means that every decision takes a long time."

Mukai makes the same point somewhat more diplomatically: "In Japan, I say a little word and everyone concentrates on what I have to say. But here, we need deep, deep discussion to avoid a misunderstanding."

One of Reinhart's biggest trials has been Matsushita's dogmatic "Not Invented Here" attitude, which has led the company to insist on supplying from Japan almost all MB Video's production machinery.

After years of fighting for more procurement freedom, he finally went ahead and ordered German-made soldering and test and measurement equipment without bothering to seek Matsushita's approval.

Only when he produced test data which showed that the German machines were equal or superior to their Japanese equivalents did Matsushita soften its attitude. Today, the company uses German soldering equipment in Japan.

Reinhart also took the initiative in introducing German-style working practices into the joint venture's two plants, at Osterode and Peine in northern Germany.

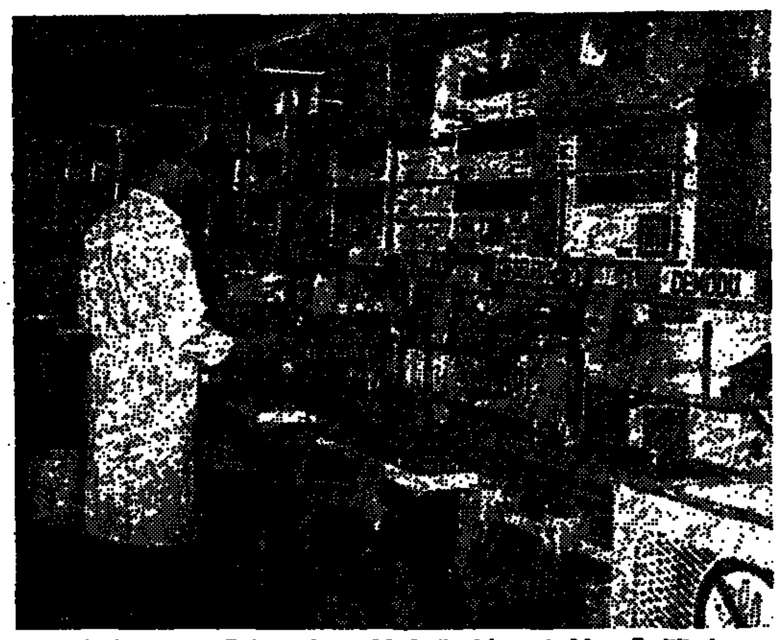
Instead of following the Japanese pattern of sticking to one production line, workers are allowed to vary their routine by switching periodically from one line to another.

"We have Japanese and German companies working together. People here don't really feel they are in a Japanese company," he says. Moreover, the combination has been achieved without any sacrifice in efficiency. Reinhart says MB Video is well up to Japanese standards of quality and manufacturing cycle time, though output per employee is slightly lower because of German workers' longer holidays.

The biggest difference is in inventory levels and parts delivery times. The problem lies not with the components which MB Video sources in Europe, such as VCR transport mechanisms, but with the many vital parts shipped from Japan and Singapore. These spend three to six months in transit.

Greater autonomy would allow the joint venture to reduce delays by sourcing more locally, Reinhart says. Still more important, he believes, is the need to gain more control over product development. "The life cycle of our models is 10 to 12 months. But at present, all new product development is done in Japan, so the communication lines are very long. That is the main source of our problems," he says.

He says it would also be cheaper for MB Video to design components such as power supply units specifically to meet European standards, instead of having to use the more complex 'universal' designs developed by Matsushita to meet a range of different international standards.


MB Video's plant at Peine: Matsushita's "not-invented-here" attitude means that almost all production machinery is supplied from Japan

Matsushita and Bosch recently acknowledged the force of these arguments by agreeing in principle to endow MB Video with a technical centre staffed by a small product engineering team. But the two companies have yet to decide when and where to establish the centre and exactly what functions it should perform.

Though Reinhart is clearly impatient for decisions, he emphasises that settling the details of the plan needs time. In his view, much will depend on finding an executive to run the proposed technical centre who combines suitable engineering qualifications with rounded management experience.

He also accepts that the centre, if and when it goes ahead, will fall far short of a fully-fledged research and development facility. However, he sees the plan as a vital step towards that ultimate goal.

"If we get electronics engineering capacity here, then we will be able to persuade Matsushita that we can do other things as well," he says. "That is very important, to persuade Matsushita's middle managers in Japan to give us more authority."

CONTRACTS & TENDERS

INVITATION TO TENDER
Issued by the Guyana Sugar Corporation Limited
For a project to be financed
By The
Inter-American Development Bank
Loan Contact No. 154/1C- GY
Supply of spares for Sugar Factory Equipment

Tenders are hereby invited from suppliers for the provision of factory spares to be acquired under an Industrial Reactivation Loan Programme. The Inter American Development Bank (IDB) is partially funding this rehabilitation programme through LO - 154/1C GY eligibility with respect to origin of goods and service will be determined pursuant to the rules applicable for the use of the fund.

Tenders are invited from firms which are from regional or non-regional MEMBER *countries of the IADB for the supply of the following spares* which are divided into two groups indicated in the corresponding documents.

Contracts would be let following international competitive bidding by The Guyana Sugar Corporation Limited through the Central Board Committee of Ministry of Finance

FACTORY SPARES

Group A Mills
Group B Diesels

Specifications contained in the tender document permit offers of spares which have similar characteristics and provide equal performance and quality to those stated.

Tender documents can be obtained from the office of C Czarnikow Inc 75 Wall Street New York NY 10005. United States of America or the Guyana Sugar Corporation Limited to the appropriate address below against a non reimbursable payment of 500 Guyana dollars or equivalent in foreign exchange by crossed cheque in favour of the Guyana Sugar Corporation Limited.

The tenderer shall furnish as part of his tender a tender bond in favour of the Chairman Guyana Sugar Corporation Limited

In the value of 5 percentage of the CIF tender price

Tenders shall be in English submitted in duplicate and delivered in plainsealed envelopes which in no way identify the tender to the chairman of the central tender board committee at the appropriate address below

Tenders close at 14.00 hours local time on the 14th of December 1989

The Chairman
Central Tender Board Committee
Rehabilitation Sugar Programme
Industrial Reactivation Loan Programme

Mr E O S Hanoman
Finance Director
Guyana Sugar Corporation Limited

22 Church Street
Georgetown
Guyana

COMPANY NOTICES

NOTICE TO THE HOLDERS OF

The Hokkaido Takushoku Bank, Limited

U.S. $100,000,000 1¾ per cent.
Convertible Bonds due 2002

Pursuant to Clauses 7(B) and 7(C) of the Trust Deed dated 30th April, 1987 relating to the captioned Bonds, NOTICE IS HEREBY GIVEN that:

1. On 20th October, 1989, the Board of Directors of The Hokkaido Takushoku Bank, Limited (the "Bank") resolved to issue 30 million new shares of its common stock on 14th November, 1989 by way of public offering in Japan at a price per share to be determined on 1st November, 1989. Furthermore, on 25th October, 1989, the Board of Directors of the Bank resolved to issue new Swiss Franc 200 million convertible notes through private placement and new Swiss Franc 100 million convertible bonds through public offering, on 13th November, 1989.
2. Such issues of new shares, new convertible notes and new convertible bonds may, upon issue, result in an adjustment of the conversion price of the captioned Bonds pursuant to Clause 7(H) of the Trust Deed. The conversion price of the captioned Bonds in effect on the date hereof is Yen 1,026.70 per share of common stock. In the event of an adjustment of the conversion price a further notice of the new conversion price will be published.

Dated: 30th October 1989. The Hokkaido Takushoku Bank, Limited

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COMPANY NOTICES

Barplats

BARPLATS MINES LIMITED

(formerly Lefkochrysos Limited)
(Registration number 86/05057/06)
("Barplats Mines")

Terms of rights offer

The directors announce that Barplats Mines will proceed with the following rights offer:

- 68 868 481 new ordinary shares in Barplats Mines at a price of 450 cents per share on the basis of 50 new ordinary shares for every 100 ordinary shares or 100 compulsorily convertible debentures, as the case may be, held in Barplats Mines.

The issue prices have been set taking cognizance of the present volatility on world stock markets.

Rand Mines will underwrite the rights offer.

The rights offer circular, which will include the renounceable (nil paid) letter of allocation, will, subject to the rules and requirements of The Johannesburg Stock Exchange, be sent to holders of ordinary shares and the holder of the compulsorily convertible debentures on Friday, 10 November 1989.

The last day for shareholders and the debenture holder of Barplats Mines to be registered as such in order to participate in the rights offer is the close of business on Friday, 3 November 1989.

Johannesburg
30 October 1989

Registered office:	*United Kingdom secretaries:*	*United Kingdom registrar and paying agent:*
15th Floor The Corner House 63 Fox Street Johannesburg, 2001	Viaduct Corporate Services Limited 40 Holborn Viaduct London, EC1P 1AJ	Barclays Registrars Limited 6 Greencoat Place London, SW1P 1PL

1989 No. 12195P

THE HIGH COURT
IN THE MATTER OF:
ANGLO IRISH BROKING COMPANY LIMITED
T/A "SOLOMONS ABRAHAMSON & IRVINE"
AND
IN THE MATTER OF:
THE COMPANIES ACTS, 1963 - 1985

NOTICE OF PETITION

NOTICE is hereby given that a Petition presented to the High Court of Ireland on the 23rd of October for confirming the cancellation of IR£832,500.00 of the balance standing to the credit of the share premium account and that such amount be transferred to a non distributable capital reserve against which any goodwill or any excess of the cost of any acquisition over its underlying net asset value may be written off in accordance with accepted accountancy practice and pursuant to the Special Resolution passed at the Extraordinary General Meeting held on the 20th of January, 1989 at Stephen Court, 18/21 St. Stephens Green, Dublin 2 is directed to be heard before The High Court of Ireland on the 13th day of November 1989 at 11.00 o'clock in the forenoon at the Four Courts, Inns Quay, Dublin 7, when any creditor who desires to object may attend and be heard.

Dated the 26th day of October 1989.

Signed: William Fry
WILLIAM FRY,
Solicitors,
Fitzwilton House,
Wilton Place,
Dublin 2.

CANADA

The Financial Times proposes to publish this survey on:

9th November 1989

For a full editorial synopsis and advertisement details, please contact:

Stephen Dunbar-Johnson on 0101 212 752 4500

or write to him at:

Financial Times,
FT Publications Inc
14 East 60th Street,
New York
NY 10022

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

CONSTRUCTION CONTRACTS

Tunnelling in North Wales

JOHN LAING CONSTRUCTION has been awarded a £51.45m contract to build the Pen-y-Clip section of the A55 expressway in North Wales, *Anthony Moreton, Welsh correspondent, writes.* This part of the road, which runs along the North Wales coast, will connect the two schemes which were opened last week by the Minister of State for Wales.

Building work at this point of the coast is technically difficult since the land falls steeply to the shoreline and some 930 metres of the 2km length will comprise a tunnel to take the two-lane carriageway. It will be the longest rock tunnel in Britain.

Part of the problem Laing has to overcome lies in protecting the existing road and railway when blasting takes place. Retaining walls up to 26 metres high have also to be built to support the hillside at the entry points to the tunnel. With the beginning of work on the Pen-y-Clip scheme only one section of the A55, at Aber, will remain to be started.

The road is seen as an integral part of the development of the economy of North Wales. It will bring most of the area within an hour's drive of Manchester's Ringway airport and connect the area with the English motorway system.

New barracks complex at Windsor

TAYLOR WOODROW CONSTRUCTION has been awarded a contract worth in excess of £30m to build the Victoria Barracks in Windsor for the Property Services Agency.

Taylor Woodrow will erect a wide variety of buildings to form a complete barracks complex. They will include a quartermaster's store, a military training centre, and vehicle workships, as well as an officers' mess, sergeants' mess, a physical and recreational centre, sundry minor buildings and a boundary wall.

Taylor Woodrow Construction is also to be responsible for undertaking extensive landscaping and all other external works and services. Work on the barracks is due to be completed in October 1992.

Taylor Woodrow Construction (Midlands) has won a £7.9m contract to construct a land registry office in Telford for the Property Services Agency. Work involves the construction of a three-storey main office built around a quadrangle, an ancillary single-storey entrance pavilion and a single-storey facilities building. This will provide a gross internal area of some 8,250 sq metres.

TWC (Midlands) will undertake all site excavation and land filling as well as constructing car parking space, and a new access road.

A particular feature of the building will be the erection of aluminium solar shading on the exterior to provide relief from the sun's glare. Completion of the project is due in mid 1991.

Linking the M1-A1 in Cambridgeshire

Work on a road building project heads contracts worth more than £35m awarded to **TARMAC CONSTRUCTION.**

A £14.2m contract has been awarded for building nine miles of dual-carriageway road - forming part of the M1-A1 link in Cambridgeshire, which is to be constructed in two sections, much of it along the line of the A604, and will by-pass the villages of Bythorn and Ellington. Work on the project, for the Department of Transport, starts shortly and is due for completion in about 18 months.

Other projects include four-storey offices in Manchester, for the Co-operative Insurance Society (£2m); refurbishing staff training centre premises at Abingdon, Oxfordshire, for W.H. Smith (£1.2m); and two-storey offices at Preston, for Chantry Developments (£640,000).

Tarmac Refurb has four contracts in the West Midlands. They are for refurbishing a ward at Sandwell District Hospital, for Sandwell Health Authority (£1m); refurbishment and an offices development in Birmingham, for A & J Mucklow Investments (£854,000); new press platforms in Birmingham, for the Birmingham Post & Mail (£575,000); and refurbishing the Tyburn House public house, Erdington, for Allied Breweries (£363,000).

A number of projects have been awarded to the contract housing division. They include work on homes at Bristol (£2.2m); Rushcliffe, Nottinghamshire (£2.2m); Paisley (£1.6m); Kirkby, Merseyside (£1.5m); Stockton-on-Tees (£1.5m); Stoke-on-Trent (£1.2m); Nottingham (£1m); Doncaster (£876,000); Bromsgrove, Worcestershire (£863,000); St. Helen's (£780,000); and Preston (£563,000).

Retailing development in Winchester

CHARTWELL LAND has commenced construction on nine new prime retail units at 118/121 High Street, Winchester. The redevelopment will provide 34,000 sq ft of retail space with frontages to High Street, Upper Brook Street and St Georges Street.

Upper Brook Street will be closed to traffic and re-paved and will become the main pedestrian throughfare linking the High Street to the Brookes development.

The site, formerly occupied by Woolworths, has been the subject of a recently completed £68,000 archaeological dig which, over three months, has contributed towards the recreation and recording of Winchester's Roman and Medieval history.

The shop units will be ready for occupation from the end of May 1990.

Corrective training centre

The Property Services Agency has placed a £35m contract with **FAIRCLOUGH BUILDING** for a young offender institution at Lancaster Farms, near Lancaster in Lancashire.

It will accommodate 374 inmates and will provide a range of training and educational facilities.

Work on the institution is scheduled for completion in January 1992 - a contract period of 27 months.

Airport projects

FITZPATRICK & SON (CONTRACTORS) has been awarded contracts worth nearly £10m by Stansted Airport. Work involves access stage 4, long term car parks stages 4 and 5, and terminal services stage 4.

At Gatwick, the company has been re-appointed to undertake maintenance work worth £600,000. Other work includes a £1m contract from Essex County Council for night work on the Dunton interchange of the A127 at Laindon.

By-pass plan

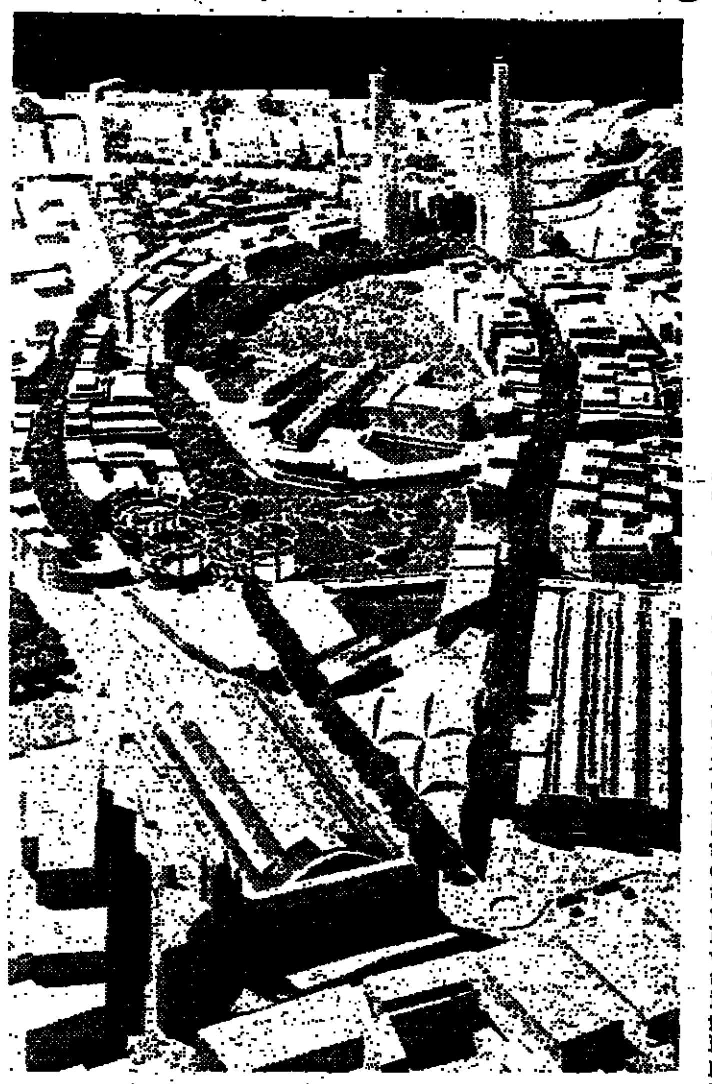
MAY GURNEY, the Norwich-based civil engineering contractor, which is nearing the completion of its contract for the construction of the Thetford by-pass, has received an order extending the contract to include dualling the by-pass throughout its entire length.

The £4.5m order extending the contract allows for 4.3km of new carriageway, the widening of a railway bridge and the construction of an underpass at the junction between the by-pass and the Croxton Road.

ARCHITECTURE

The pressure for change reaches new heights

Colin Amery looks at the challenge facing London's developers



The proposed view looking north over King's Cross

If you take a helicopter trip over London two things strike you at once. One is the immense spread and low density of so much of the 19th and early 20th century growth of the capital. The second is the feeling that you are looking down on a city that is, to a considerable degree, clogged, creaking, and derelict. To any property developer, London from this angle offers incredible opportunities for improvement.

The problems start once you are on the ground. You are then immediately enmeshed in the legal and social problems of a populous city. You no longer have the bird's eye view. Instead your vision is blocked by the reality of a conglommeration of private interests expressed in the urban environment. How easy it is to understand the wishes of any architect, planner or developer to make all *things* new.

The proposed development of 134 acres of former railway lands at London's King's Cross demonstrates perfectly the conflict between the architect's ideal plan and the intricate complexity of an existing community. It was Oliver Wendell Holmes Jr who understood that with civilisation comes complexity. "When it is said that we are too much occupied with the means of living to live, I answer that the chief worth of civilisation is just that it makes the means of living more complex; that it calls for great and combined intellectual efforts, instead of simple, unco-ordinated ones, in order that the crowd may be fed and clothed and housed and moved from place to place." His words express exactly what is needed when it comes to considering the future of an old city. The planning application for King's Cross is the largest this century. It is the biggest city centre development in Europe and will take ten years to build.

The site, owned by British Rail, is to be redeveloped by a body calling itself the London Regeneration Consortium. This is led by Stuart Lipton (Stanhope plc) and Godfrey Bradman (Rosehaugh plc) and also includes the National Freight Consortium plc. The Consortium has asked the architect Norman Foster to produce the master plan. It is this document that has just been submitted as a revised planning application to the London Borough of Camden. In April this year an earlier application for outline planning consent was sent back to the developers because the local authority felt it was too much of an "office city." The developers of the scheme describe it, on the other hand, as "a vibrant new district of London." At the centre of the new development Foster Associates propose a 34-acre park (Green Park is 54 acres). This park around the Regent's Canal is now more informally planned than Foster Associates' previously highly controlled oval shape. I cannot really see the point of keeping old gas holders behind St Pancras even though they are listed. There is enormous sentiment about old industrial relics, canals and factories. Fosters do keep many of the listed buildings on the site although some will disappear. There have been considerable local objections to the destruction of small scale Georgian and Victorian houses, warehouses and workshops that give scale to the giant Victorian railway stations of King's Cross and St Pancras. The area has always suffered sudden, large scale incursions. Some 10,000 people were displaced for the construction of St Pancras.

The developers propose some 6.5m sq ft of offices which would be built on expensive decking over the railway tracks behind both the main stations. There is to be 1.6m sq ft of housing and a mixture of retail, "leisure and community," hotel and industrial use. A major change to the original proposals is the addition of two very high towers of offices in the north of the site. Why only two? Norman Foster has designed by far the best tower of ofices this century in his Hongkong Shanghai Bank. He should have the opportunity to build more in London.

There is nothing wrong with appropriately sited tall buildings for offices. The derelict northern slopes are far more suitable for towers than the historically important riverscape of Greenwich which will be damaged by Canary Wharf's inelegant tower. There is also nothing wrong with decently designed and well managed blocks of flats that have good facilities for their residents. Again King's Cross would seem to be an appropriate place for high density living that did not make the terrible mistakes of the past.

I admire Norman Foster and his obsessive concern with the highest qualities of architectural design and appropriate technology. He is planning to recruit the best architects in the world to design the large range of buildings. This is admirable. The only dangers to the King's Cross development seem to be that it might easily become the La Defense of London. There is not enough residential content. The actual uses of the main buildings should be more mixed. Offices and residential and retail can be mixed up. It works well in New York and makes for a vibrant city life. There is talk of arcades, boulevards, trams and shops, but the whole scheme seemed to need a huge stir. The urbanist and thinker Leon Krier has a brilliant diagram he uses in his lectures. It is a slice of pie. You don't serve a slice a pie by separating the pastry from the plums and the plums from the cream. I feel that despite the uncertainty about whether British Rail has one of its Channel Tunnel terminals here, this major development should be encouraged. It offers an opportunity for urban renwewal where it is needed. It should, however, utilise "great and combined intellectual efforts" rather than "simple and unco-ordinated ones." This in the nub of the problem. To put it crudely, are developers really able to grasp the complexity of serious urban renewal? They should be able to, but if King's Cross becomes another La Defense it will have failed and failed London dreadfully.

Faith Hope and Charity

LYRIC THEATRE, HAMMERSMITH

King Alfred burnt the cakes and Odön von Horváth was killed by a falling tree in the Champs Elysées in 1938. Having got the elementary schoolboy knowledge out of the way, one should also remember his *Tales from the Vienna Woods* at the National Theatre a dozen years ago, in a translation by Christopher Hampton, who now translates the 1933 *Glaube Liebe Hoffnung* into equally uncomma'd English.

It was Nietzsche who, comparing the pace of Wagner's music dramas with the mercurial *Carmen*, used the phrase "the heartbeat of a slug." Heribert Sasse, the distinguished Berlin-based director, opts for Wagnerian rhythms in this ironic 80-minute (but, one suspects, actual hour's worth) innocent's progress through a callous society to attempted suicide and rather vaguely explained death. The structure is episodic, a sardonic, low-life *La Ronde* if you like, as plucky, unself-pitying Elisabeth offers her (dead) body to the anatomical institute in advance, falls foul of bureaucracy, serves a prison term, loses her policeman boyfriend and, failing even in self-destruction, is fished out of the canal by a burly lifesaver (played with a mixture of beaming complacence and aggrieved virtue by Dale Savage, who lends the proceedings a spark of life).

This "little dance of death" unfolds at a funereal pace, perhaps deliberately but no less numbingly for all that. Mr Hampton's translation is predictably literate and clear, if not always avoiding those give-away translatorese idioms ("I know what's what" crops up in practically every foreign work rendered into English). And the total effect is that of a semi-dramatised political tract on the evils of society, the general comic-strip flatness unenlivened by variety, depth or contrast. The final appearance of Nazi flags is heavy-handed and belongs more to the glossy Hollywood treatment of *Cabaret* than the downbeat detachment of this production's tone.

The sets of Santiago del Corral are finely atmospheric: grey blow-ups of streets backing grimy arcade, dingy brown officialdom or austere attic room. Julia Ormond makes a touching Elisabeth, spunky yet vulnerable as yet another hope is dashed. I wish I could be more enthusiastic over this brave enterprise – how often today does a play boast a cast of 18 plus a pigeon? – but there is more to shock, horrify and anger in the recent British newspaper cuttings reproduced in the programme than in the stage events with their pulse a great deal more lethargic than that of the half-drowned heroine.

Martin Hoyle

Alastair Muir

Julia Ormond

Dance Umbrella

RIVERSIDE STUDIOS

And still the French post-modern dancers keep on coming. Several groups this April, three groups in the first two weeks of the current Dance Umbrella, more to follow in November.

No doubt about it, 1989 has given us our best chance to find out what matters as post-modern dance to the French. Ignorance was bliss.

There are several reasons why we are being given so much French dance now. Sheer economic sense has encouraged dance people here to pay new attention to the well-subsidised French dance terrain at a time when American and British public funding of dance is dwindling. Also the sexiness and worldy-wise ways of several French performers is a titillating rarity in the Puritan new-dance world.

Inverted snobbery – such a recurrent feature of any alternative art scene – has noted that this is a good time to try shaking off the resented American hegemony of post-modern dance. And then, well, chaps, 1992 and all that – don't let's be beastly to the French.

If only this French invasion gave us anything worth looking at as dance.

What does a French new-dance work contain? Absurdism, irony, surrealism, repetition, non-communication galore. Gotta have a gimmick. Pleasantly sociable stage manners, blending the cute with the ironic even when in earnest. Decent sense of gesture and individual dress sense. Impressively superficial references to other arts or even life. And as for connectedness or development in terms of dance phrases or stage relationships? *Rien du tout.*

I only hope that there are French modern-dancemakers to whom the above glib job-lot description in no way applies.

French critics, attending to surface details in post-modern dance as in ballet, make extravagant claims about the intellectual implications of dances without grounding them in dance *facts*.

'Sheer economic sense has encouraged dance people here to pay new attention to the well-subsidised French dance terrain at a time when American and British public funding of dance is dwindling . . . if only this French invasion gave us anything worth looking at as dance'

The French aesthetic – which has relatives all over Continental Europe – is wholly alien to that which has produced, in the US, Soviet Union and even in Britain, the greatest works of ballet, modern dance and post-modern dance.

In brief, the French aesthetic attends to significances that are sprayed on at surface level. The aesthetic that has produced choreographers from Marius Petipa and Frederick Ashton to Merce Cunningham and Mark Morris locates coherence primarily in movement itself. Since the world of new dance has always contained plenty of ephemeral silliness anyway, some people aren't taking the French threat seriously. To me, it constitutes as ominous a force as Maurice Béjart does to ballet.

Clement Crisp has already reviewed the Groupe Emile Dubois, with which the Umbrella opened.

Last week's French offerings were the Compagnie Cré-Ange in *Noir Salle* at The Place and Roc in Lichen in *Grenadier Weaver* at Riverside Studios. It was a great week for gimmicks. Cré-Ange used Molière's *Le Misanthrope*, the verse and characterisations fragmented out of all sense. Roc in Lichen had dancers zooming up and down vertical walls like Spidermen.

The dancers of either troupe were cute, their clothes fun, their manners confident. The very popular Cré-Ange dancers – who go in for urbane sophistication – mime à la Marcel Marceau, in nonsensical, ritualistic satires of polite society's affectations. *Noir Salle* used half-a-dozen dissimilar pieces of music. Since it made no reference to them, you could sit and figure out a rationale for them. The gambling music from *Traviata*. Of course! To reflect the desperate urgency of high-society idleness. *Très Misanthrope*. Roc in Lichen – whose dancers are tough little deadpan streetwise urchins – perform flatly to pounding rock scores.

At least Roc in Lichen has *curiosity* value. When the three dancers, torsos facing the floor, slowly moved down the walls, there are moments when you really have the illusion that they are kids slowly sit-sliding along the floorboards and that you are watching from the rafters above. Rather that than watch them on the real floor, where they show no serious coherence of rhythm, movement style or stage relationships.

After the interval, they showed a film – photographed from helicopters – of a love duet upside-down in a bathroom suspended high up the sheer vertical face of a deep gorge in the Verdon. The love duet was reduced to only a few brief clips of groping. Most of the film was interview material about mountain-climbing. But so what? *Vive le Frisson Nouveau.*

The French derive all this specious posiness from an avant-garde tradition that long ago sanctified Satie and Apollinaire along with Gertrude Stein. And what a noble tradition it is, too. It has had invaluable worldwide influence – not least on the greatest living choreographer, Merce Cunningham, whose work is more popular in France than anywhere else. (That irony! That deadpan manner! That flat rhythm!).

But the French new dance is the product of an avant-garde that has fallen into elegant decadence. It makes everything out of its odd, clever, charming, exterior features. It has to, because its interior has no substance.

Alastair Macaulay

British Opera Festival

HOUSTON

In Houston, a city set amid rolling parkland, the streets are wide, the skyline is arresting, the economy has revived, and the attitude to the arts is open-minded. All the performing media are represented and decently housed: the Houston Grand Opera particularly so since last year, when the huge Gotham Center opened its doors – it is a luxuriously fitted complex, with two theatres, the Brown (with 2,200 seats) and the Cullen (1,100).

But well before then, the company, under the direction of David Gockley, had established itself as one of the most important in America; the Gotham buildings simply marked a new stage of development, as the latest venture certainly shows. This is the British Opera Festival (sponsored by, among others, BP and British Airways), which stretches over three weeks and which demonstrates the spirit of daring that seems to rule the company (in marked contrast to the clinging-to-the-conventional more familiar in North American opera houses).

Works by Handel (Giulio Cesare), Gilbert and Sullivan (The Mikado) and Michael Tippett provide the fare – the last-named was present last Friday evening for the world première of his fifth opera, New Year. The three operas come in productions by three British opera luminaries – Nicholas Hytner (Handel), Jonathan Miller (G and S) and Peter Hall (Tippett). Each cast has a smattering of British singers alongside the native Americans.

I shall be writing at length about the new Tippett opera in tomorrow's paper. Fewer words are needed for the other performance fitted into the weekend schedule, Giulio Cesare in the Brown Theatre, since I greeted with delight Nicholas Hytner's Handel staging when the show was unveiled at the Paris Opera two years ago. It is a deliberately frothy, zany treatment, with touches of Tintin or Asterix in its humour and a general time-travelling impertinence in approaching the Handelian opera seria, which nevertheless bursts with loving appreciation of the score.

The fun has been slightly, but not unacceptably, broadened in the move from Paris to Houston (only the running joke about Cleopatra's penchant for champagne is at the point of overkill). Three of the original cast-members – the beautifully pure-voiced Australian countertenor Graham Pushee (Caesar), Valerie Masterson (an ever-elegant Cleopatra), and Dominique Visse (the brilliant cocksparrow Nirenus) – return to duties. Eirian James (Sextus), Christopher Robson (Ptolemy) and Katherine Ciesinski (Cornelia) are keenly compelling newcomers. The hall is too large, and the conductor, Craig Smith, plods, but nevertheless the evening takes wing.

Max Loppert

SALEROOM

Coloured stone record

The dispersal of the jewels and the works of art of the late Count and Countess Guy du Boisrouvray by Sotheby's in New York got off to a cracking start with the jewels all selling for a total of £18.9m.($31.2m). The Countess inherited many famous jewels from her father, the Bolivian tin magnate Simon Patino, but her husband was also fascinated by gems and the couple assembled a fine collection.

The top price was the £2.8m, almost five times estimate, paid for a ruby and diamond ring made by Chaument of Paris: it was an auction record price for a coloured stone. A sapphire and diamond necklace by Van Cleef and Arpels sold for £2.13m, a record for a necklace, and a ruby and diamond pendant necklace by the same makers far exceeded target at £1.86m. The same sum secured an emerald and diamond necklace by Cartier of London, dated 1937.

The first auction organised by Brooks, the company set by Robert Brooks, formerly of Christie's, established a record for a classic car sale in the UK of £7.1m. The highlight was the £1,595,000 paid by Hans Thulin, the Swedish financier, for the Vanwall "VW10" which was driven by Stirling Moss and which won two Grands Prix in 1958. It was the highest price paid for a post-war grand prix car. Thulin also owns the most expensive car bought at auction, a Bugatti Royale which sold for £5.5m two years ago.

A 1956 Jaguar D Type made £1,210,000, a record for a Jaguar, while the 1983 Le Mans 24 Hours-winning Rothmans Porsche 956 went for £935,000.

Antony Thorncroft

Transvision Vamp

HAMMERSMITH ODEON

Most bands that are manufactured and marketed like products fail dismally – there goes Sigue Sigue Sputnik. But Transvision Vamp seems to have plugged a yawning gap – the need for a British version of Madonna – and to be here to stay, (which means in practice around three years).

Singer Wendy James is very much the madam in control, holding a one-sided audience with the fans. Between the songs she keeps up an almost stream of consciousness sales patter, before going into the next blast of good old rock and roll.

Her musicians are a darkly dressed, saturnine, crew: the keyboards player eventually gets so fed up with being upstaged by Wendy that he smashes his instrument to pieces, throwing odd quavers into the crowd.

Somehow it works a dream. Wendy puts a lot into it, baiting the boys to get up and do something, anything, from revolution to sexual abuse. They are obviously awed by this blonde devil, hair permanently fluttered by a breeze machine, who seems prepared to do anything, so strong is her dominating fantasy.

By the end, when she appears in one of Madonna's cast-off black swimsuits breasted with silver tassles, the place is quivering with jumping, arm waving, acolytes, who she taunts throughout her version of a Southern Blues "Black Valentine." Yet we know it is all a game, just good showmanship, from a team of fine musicians and from Miss James herself. The power is in the music, the salaciousness is just tangy dressing.

AT

ARTS GUIDE
October 27-November 2

MUSIC

London

Royal Philharmonic Orchestra, conducted by Vladimir Ashkenazy. Mozart, Tchaikovsky. Royal Festival Hall (Tues) (928 3002).

Paris

Czech Philharmonic conducted by Vaclav Neumann. Mahler. (Mon) Theatre des Champs Elysees (47203637).
Orchestre Philharmonique de Radio France conducted by M.Swierczewski and Maitrise Radio France. D'Amico, Liszt,Conde (Mon).
Ensemble Intercontemporain, Boulez, Bartok, Stravinsky (Thur) Centre Pompidou (42744219).

Brussels

Berlin Philharmonic Orchestra conducted by James Levine performing works of Berg, Mahler, and Weber. (Mon) Palais des Beaux-Arts.

Frankfurt

Czech Philharmonic, with Vaclav Hudecek (violin),conducted by Juri Belohlavek. Smetana, Tchaikovsky andMussorgsky. (Tues) Alte Oper.

Rome

Santa Cecilia Orchestra, conducted by Giuseppe Sinopoli. Mahler (Mon, Tues) Auditorium in Via Della Conciliazione (6541044).
I Musici, Vivaldi. St Agnese in Agone (Piazza Navona). (687.5952.).

Milan

Quartetto Arditti, Beethoven, Webern. Sofia Gubaidulina, Luigi Nono and Alban Berg (Mon) Teatro alla Scala. (80.91.26).

Vienna

Hagen Quartett. Mozart, Ligeti, Beethoven. Konzerthaus. (Mon). Vermeer Quartett. Haydn, Bartok. Konzerthaus. (Wed).

New York

Frankfurt Radio Symphony Orchestra conducted by Eliahu Inbal with Mitsuko Shirai (mezzo-soprano). Hadyn, Ravel, Tchaikovsky (Mon) (247 7800) Carnegie Hall.
New York Philharmonic. Leonard Bernstein conducting. Mahler, Tchaikovsky. (Tue) Avery Fisher Hall (874 2424).

Washington

National Symphony Orchestra conducted Hiroyuki Iwaki with Leonidas Kavakos (violin). Toshi Ichiyanagi, Dvorak, R. Strauss. Kennedy Center Kennedy Center Concert Hall (Tue) (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Gunter Wand. Bruckner. (Tue) Orchestra Hall. Chicago Symphony Orchestra conducted by Sir Georg Solti with John Sharp (cello) and Chicago Symphony Chorus. Shostakovich, Verdi (Thur). *Orchestra* Hall (435 6666).

MacMillan première

The world première of Kenneth MacMillan ballet's *The Prince of the Pagodas* will take place on December 7 at the Royal Opera House, with music by Benjamin Britten.

Darcey Bussell and Jonathan Cope will create the roles of Prince and Princess, with Fiona Chadwick as the wicked sister, Anthony Dowell as the King and 17-year-old Tetsuya Kumakawa, winner of the 1989 European Young Dancer of the Year competition, as the Fool.

The Prince of the Pagodas will be MacMillan's first new three-act work for the Royal Ballet for almost nine years.

FINANCIAL TIMES
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Risks in the social charter

THE ORIGINAL DRAFT of the European Community Charter of Fundamental Social Rights was a deeply flawed document. This was the position of the UK Government and in this case, at least, its instincts were correct. However sympathetic one may feel to the idea of producing a broad statement of social values, the present draft remains unsatisfactory.

The document starts from the view that the single market programme needs an offsetting arrangement for the labour market. The danger is that serious pursuit of certain of the charter's objectives would create precisely what is put forward as its justification: a single market programme that brings little benefit to unskilled people, notably those located in poorer regions.

Not that all components of the draft charter create such difficulties. Those on freedom of movement are, for the most part, helpful (which is, perhaps, why they are particularly controversial). Those on protection of health and safety suggest relatively uncontroversial minimum standards.

A quagmire

Beyond this lies a quagmire. Consider sentences like "a decent wage shall be established", or "every citizen of the EC shall have a right to adequate social protection", not to mention "information, consultation and participation for workers must be developed along appropriate lines". A government that agrees to the document cannot have any idea of what its commitment means.

None the less, a clear issue lurks underneath the verbiage. In August 1989 the EC unemployment rate was still 8.9 per cent, far higher than in the US or Japan. The reason for this unhappy state of affairs is the persistence of barriers to employment, especially in peripheral regions of the EC.

What then is the charter going to do about this problem? Nothing whatsoever, it appears. Many of the charter's suggestions – for example, on remuneration, working time and holidays – would, if made effective, reinforce the already high barriers against those excluded from formal labour markets.

There is no difficulty in understanding why trade unions support this charter. Nor is it difficult to understand the support of the governments of richer countries, whose citizens are naturally concerned about competition (euphemistically known as "social dumping") from those in poorer parts of the EC.

More puzzling is support from the governments of Spain, Greece or Portugal. Perhaps these governments wish to offer their homage to virtue, knowing that even quite explicit commitments might mean little, given the scale of their black economies and the weakness of their trade unions.

Contentious proposals

Yet the document will have consequences. It will, for example, lead to the introduction of a number of legislative proposals, most of which will be highly contentious. Since the EC still has to implement the balance of the programme for completing the single market, quite apart from beginning serious discussion of the complexities of European Monetary Union, the programme embodied in the Social Charter is likely to prove a diversion.

What is more, it is largely unnecessary. There has been much talk of "subsidiarity", the principle that nothing should be done at a higher level of government that can be done, instead, at a lower one. Why then does the EC concern itself with minimum wages, maximum working hours, social security or worker consultation? These are important subjects, but they can all be dealt with by the member countries. Worse, to the extent that they are handled at the EC level, standards suitable to the richer countries may be forced prematurely on the poorer ones. Far from being helpful to the future of the EC, this could prove a disaster.

The Social Charter will either change nothing, in which case it is not needed, or have real (if, at present, largely unknown) effects, in which case it will be damaging. Let the Commission bring forward specific proposals for separate consideration rather than encourage prior commitment to this unhappy document.

Norway's new coalition

THE AUGURIES are not good for Norway's new centre-right coalition Government, which took office two weeks ago. With only 62 seats in the country's 165-strong parliament after last month's indecisive general election, the three parties in the Administration led by Mr Jan Syse, the Conservative leader, are going to have to rely as much on the sufferance of others as on their own initiative. Worse, their own resolve is in doubt, as demonstrated by a policy statement which is really no more than a broad framework of good intentions. It signally fails to address the most crucial issue facing Norway – its future relationship with the European Community.

The tiny Centre Party with a mere 6.5 per cent of the poll and 11 seats has been brought into the coalition at a price Mr Syse may find unacceptably high. Little more than a protectionist lobby for Norway's over-subsidised agricultural sector, the Centre is not only hostile to the EC but even critical of any positive step towards the creation of a customs union covering the EC and the countries of the European Free Trade Association, of which Norway is one. Mr Syse campaigned in the election for an early application to join the EC but has now given this up to appease the Centre and the other junior partner, the sectarian Christian People's Party with 14 seats and 8.5 per cent of the vote.

Serious doubt

The political change in Oslo must now cast a serious doubt over what should have been successful preliminary talks between EC and Efta which should have established the basis for formal negotiations, starting early in 1990, on a new partnership. While no doubt the Commission in Brussels will be relieved to know that Norway is not about to join Austria with a premature membership application, the lukewarm attitude of Mr Syse's Government to the Efta convergence must provide grounds for concern.

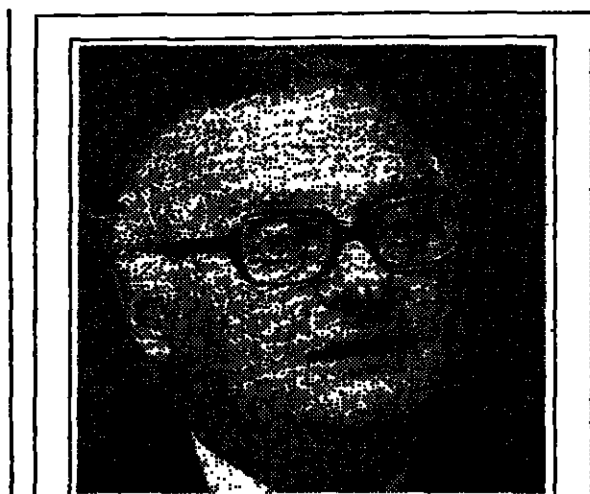
In fact, it is hard to visualise Mr Syse's Cabinet taking a firm position on very much, even though the Norwegian economy faces serious uncertainties over the next few years because of its over-dependence on fluctuating world oil prices. Mrs Gro Harlem Brundtland's Labour government followed a relatively responsible financial strategy over the past three years, but it lost last month's general election because it could do little to halt the rise in unemployment to its highest level since the 1930s. The new Government will not find it easy to manage the economy. The forecasts suggest Norway's recent export surge has peaked. Investment levels are weak and there must be doubts over whether the unions will co-operate in future wage restraint after two years of austerity.

Higher subsidies

However, Norway's current account surplus looks like being a massive NKr 25bn this year, equivalent to 8 per cent of gross national product, and this seems likely to encourage the new Government to boost public spending. However, Mr Syse ought not to pander to the Centre Party's demand for higher subsidies and import restrictions but should instead concentrate on more market-oriented policies designed to encourage enterprise.

The trouble is that his own Conservative Party is not in a very strong position to shape policy. Last month it suffered its worst election result since 1973, polling only 22.2 per cent of the vote and winning 37 seats. Its survival depends on the much strengthened radical-right Progress Party of Mr Carl Hagen, who, still very much ostracised by the orthodox conservative parties, now has even greater power to unseat the right-wing coalition than he had, with only one other MP in 1986. The political fragmentation of the country promises weak and uncertain government for some time to come.

As before, the future of Norwegian politics depends partly on what happens to world oil prices. But the survival of Mr Syse's Government will also depend on whether it can pursue a credible policy towards the EC and convince the Norwegians that in the longer term they cannot stay outside the integration of western Europe.


Eni chairman Professor Franco Reviglio

	Sales (Lire bn)		Net profit/(loss) (Lire bn)		Net Indebtedness (Lire bn)	
	Eni	Iri	Eni	Iri	Eni	Iri
1983	38,297	41,087	(1,401)	(2,899)	18,106	36,112
1984	44,701	46,585	(114)	(2,280)	17,790	38,837
1985	46,462	50,537	774	(1,115)	15,104	38,900
1986	33,520	52,583	638	367	14,695	34,400
1987	31,433	53,430	700	177	15,017	37,404
1988	33,110	59,017	1,316	1,263	14,753	38,519


Iri chairman Professor Romano Prodi

John Wyles reports on the struggle over who is to run Italy's two state industrial giants

After the professors

An important phase in Italian industrial history – long since dubbed "the season of the professors" – officially closed at the weekend.

Having headed the state's two largest publicly owned groups for the past seven years, Professor Romano Prodi at Iri and Professor Franco Reviglio at Eni are heading for new, and probably more tranquil, pastures.

Their achievements in restructuring these two pillars of the public economy – whose annual turnover represents 10 per cent of Italy's gross domestic product – have been considerable. So much so that they have frequently been held up as symbols of the "new Italy", particularly in their readiness to resist political interference in the running of their businesses.

But the manner of their passing – amid deadlock between and within the five governing parties over the choice of their successors – has underlined the durability of the old culture. In recent weeks a vocal school of thought, centred on Mr Eugenio Scalfari's newspaper, La Repubblica, has warned that the clock could well be turned back by vengeful politicians anxious to replace Prodi-Reviglio by men of straw who would put these two companies at the service of party political interests.

It was the disastrous consequences of just such leadership, resulting in huge annual losses and embarrassing financial scandals, that the professors were appointed to clean up seven years ago. It is a very Italian paradox that a political system which could create such a mess could also light on the men to sort it out. They were, moreover, men of proven party loyalty, Prodi having previously served a brief term as a Christian Democrat Minister for Industry and Reviglio as a Socialist Minister of Finance.

The new men will be fortunate in inheriting businesses in better shape than they have been for 15 years

In its search for their successors, the coalition led by Mr Giulio Andreotti – than whom there is no more exquisite symbol of the "old Italy" – is clearly having difficulty striking a balance between management skills, party affiliation (factional affiliation is even important to the Christian Democrats) and known susceptibility to political influence.

Whoever they are, the new men are fortunate, not only in inheriting businesses in better shape than they have been for 15 years, but also in taking over when political attitudes about the future of the three "state shareholdings" (the third being the much smaller Efim), as they are known, are perhaps more clearly defined than they have been for a decade.

The outlines which are now emerging suggest that in several respects Italy will remain out of step with the rest of Europe, both as regards the size of its public sector and its perceived function in the nation's economic development. In so far as it has one, the philosophical basis of the Italian approach to the 1990s is that the national economy, albeit the world's fifth largest, has crucial weaknesses which are not being solved by the market and which, therefore, have to be addressed by public sector industries subject to political guidance.

The list of shortcomings is headed by the south's backwardness and underdevelopment and also includes: excessive dependence on imported energy and chemicals, a weak commitment to research and development, a fragmented and inefficient banking sector and an industrial structure which houses too few companies with a significant presence in European and world markets.

The political response embodied in ministerial statements and current legislation before parliament, is built on five legs:

- Maintain the state shareholding groups with broadly their present range of activities
- Reshuffle these activities to maximise synergies and economies of scale
- Encourage joint ventures with both domestic and foreign companies
- Encourage the entry of private capital up to a ceiling of 49 per cent, and
- New laws to strengthen capital markets and to curb monopolistic tendencies of large groups.

This amounts to a defensive embrace of both the European Community's new internal market and to the internationalisation of the global economy. Both raise fears among Italian politicians that, if cut loose from the state, key domestic companies could either fall under foreign control or into the orbit of the nation's handful of large private groups, led by Fiat.

It is also a strategy which Prodi-Reviglio have done a great deal to define for the politicians, although in quite different ways. Reviglio at Eni has been a much more convinced "public sector" man than Prodi whose stronger privatisation instincts have been curbed by the politicians.

But it has also made more sense for Reviglio to defend a public mission for Eni, given that the group's core petro-chemicals businesses serve a national purpose of reducing dependency on imported energy and chemicals. Eni's national mission, says Reviglio, could not be accomplished by a private company. The group has been able to invest 18 per cent-19 per cent of its turnover compared to an average of 9 per cent among the world's nine largest energy multinationals. "We don't have to pay dividends on capital and can dedicate our entire cash flow to investment," Reviglio said in a recent interview.

Eni now has seven quoted companies on the Milan stock exchange while Enimont, the basic chemicals company jointly owned with Ferruzzi, is the pride of the 150 joint ventures Eni companies have entered over the past seven years.

While Prodi clearly sees little purpose in Iri controlling everything from biscuits to banks, Reviglio has been far more tolerant of some of the odd bedfellows lying alongside his core businesses. He has retained textiles machinery manufacturing, mining and a even a national newspaper and news agency, while fully privatising a few others, notably Lanerossi, the textiles manufacturer.

Helped also by a significant move towards spot market oil purchases and away from disadvantageous long and medium term supply contracts, Eni's bottom line has recovered from a L1,401bn (£644m) deficit in 1983 to a consolidated net profit of L1,316bn in 1988. Net indebtedness fell from L18,106bn to L14,753bn and annual interest payments from L1,783bn to L1,125bn.

Both Reviglio and Prodi attempted a thorough-going overhaul of management structure and practices and have introduced personnel policies with the emphasis on managerial promotion from within. Neither would claim that party political considerations have been totally absent from some of their appointments but one of Prodi's closest aides swears that "yes, he has appointed Christian Democrat managers, but apolitical ones."

Prodi's enormously jovial personality hides one of the toughest temperaments in Italy which has withstood many a test of fire during his attempt to restore an industrial and banking group of more than 400 companies which in 1982 was every inch the sick man of Europe.

The task is only partially complete, but Iri's industrial companies turned their first profit for around 20 years in 1988 (excluding a L3,000bn write-off for accumulated steel losses) when the group as a whole reported a modest surplus on sales of nearly L60,000bn and net indebtedness of L38,000 bn. Group losses in 1982 stood at L2,700bn on sales of L38,000bn and a debt of L34,000bn.

Like Reviglio he has substantially increased the incidence of private capital in Iri companies and banks, raising L6,500bn in a process which has carried private funds from 16 per cent to 33 per cent of the group's total capital.

Together the two professors have taught ministers that the market exists not only for raising capital which would otherwise have to be provided by the hard-pressed national budget, but also as an additional source of pressure on management performance. Prodi's view that public companies need to throw in their lot with larger international companies to win fresh markets and new technologies is also now part of the political orthodoxy.

Prodi has said that he now believes that alliances such as those between Iri's SGS and Thomson of France in semiconductors, and between Italtel and American Telephone and Telegraph in telecommunications, are as effective as privatisation in raising their performance and in insulating the companies involved against political interference.

But the Iri chief has also had his failures. He was extremely slow in forcing the loss-making steel group, Finsider, to grapple with its fundamental problems of overcapacity and inefficient management, and Iri's plant construction, shipbuilding and shipping companies are still losing money.

Prodi also ran into a political veto over the sale of the SME food manufacturing and retailing group to Mr Carlo De Benedetti, a privatisation failure which was offset by the sale to Fiat of the Alfa Romeo car company against some parliamentary resistance.

Prodi acknowledges that over the last two or three years, he has been running against the grain of the political culture on privatisation. "When the companies are making money, the politicians do not want to let them go," he says. He has, therefore, made enemies across the political spectrum, not least in his own party where he has frequently irked men such as Mr Paolo Cirino Pomicino, Andreotti's right-hand man, whose current powers extend far beyond his responsibilities as Minister for the Budget.

He insists, somewhat disingenuously that Prodi-Reviglio have invited political interference "when they contradicted strategies set by the Government and parliament." True up to a point, but there have been occasions when parliament should have listened more closely to Prodi-Reviglio judgments about future strategies.

Nor have many politicians chosen to bridle their frequent interventions in support of job applications or demands for investment which are part of a public sector manager's daily harassment. Though there is no political majority in favour of rolling back the public sector, Italians are nothing if not pragmatic, and the public-private boundaries are sure to change further in response to internal pressures, such as the need to raise funds to pay off public debt.

But external pressures could be more important and here, as so often in the past, it could be the European Community which is the true catalyst for change in Italy. If its competition rules come to be more strictly applied in the 1990s they could be a potent force for financial discipline in the public sector, eliminating handouts of cheap public capital and requiring governments either to axe or to sell non-performing businesses, much as Finsider (now Ilva) has been forced to do this year.

Prompted by Prodi-Reviglio, but also by others such as the Bank of Italy, the Italian political class has learned many of the exigencies of modern capitalism over the last seven years, except the importance of time.

As so often in the past, it could be the European Community which is the true catalyst for change

Too many important strategic decisions are still seen by the parties as touching the delicate balance of power between them.

On each occasion a new equilibrium has to be negotiated, but according to a calendar which is no respecter of the need of modern business for fast responses. Thus it is, for example, that badly needed reorganisations of telecommunications and of railway equipment manufacturing have been languishing for more than a year because of political delays.

In the 1990s, when nations will be increasingly competing on the strengths of their total economic systems, government and public services included, Italy will be much less able to afford politicians who take their time.

OBSERVER

Late rise of Tim Renton

■ One man to watch in Mrs Thatcher's latest – enforced – Cabinet reshuffle is Timothy Renton, the new Chief Whip. That is not an easy job to take over when the Conservative Party is in turmoil, as Renton plainly knows it is.

The Chief Whip has direct and regular access to the Prime Minister. He attends the Cabinet and all sorts of key committees. Unlike the chairman of the 1922 Committee, who acts has a conduit for Tory back-bench opinion, the Chief Whip has power.

He must listen to back-benchers, but he can also shape their careers, and they know it. He is meant to understand the Government from the inside and to give two-way advice: to the Cabinet if the back-benchers are getting restless, and to the back-benchers if the Cabinet really needs their support. It would be rare for any government to press ahead with a measure if the Chief Whip warned against it. Edward Heath and the now Viscount Whitelaw held the job on their ways up.

Apart from his general amiability, Renton is a surprise choice. He was surprised himself. The telephone call came in the early hours of Friday morning just after he had returned from a charity ball. There was a brief period of chewing the cud with his wife, but of course he accepted.

Renton differs from many modern Tory MPs both in that he had a long experience of business and industry before he entered politics, and in that he has remained essentially a liberal Conservative. He also knows a bit about abroad. One of his thoughts on the present situation is that it must not be allowed to become like New Zealand where, in the space of a few months, first the Finance Minister went, then the Prime Minister followed. The quarrels had been about economic policy and personalities, much as in Britain.

Renton's industrial career included five years in Canada with C Tennant Sons. He was also a long-time director of the ANZ Banking Group. It was his knowledge of the steel industry that took him into politics. He stood as the Tory candidate in Sheffield Park in 1970. It was a safe Labour seat held by the now Lord Mulley, then the Transport Minister. The only other candidate was a Communist who said afterwards that he wished he had shop stewards like Renton.

Sheffield was a try-out. Renton determined to take politics seriously. He also took the Communist's advice and decided to get into a trade union. He applied to ASTMS, the white collar union, was accepted, then retroactively vetoed by Clive Jenkins, the General Secretary. Renton wanted to take the case to the High Court, but was advised he would lose on a technicality. Subsequently he joined APEX, the union of which Denis Healey and the now Lord Prior are also members.

He won his Sussex seat in 1974, and became parliamentary secretary to John Biffen in Mrs Thatcher's first government in 1979. He resigned two years later over the windfall profits tax on the banks – not because he objected to hitting the banks, but in opposition to retrospective legislation. That was an issue of principle.

Sir Geoffrey Howe, the Chancellor of the Exchequer at the time, picked him up again and made him his own parliamentary secretary in 1983. Since then Renton has been through medium-level jobs at the Foreign and Home Offices, though his last post as Minister of State at the Home Office is one of the few ministerial appointments outside the Cabinet that carry some weight. Until last Thursday he was looking forward to taking the Broadcasting Bill through the House of Commons in the new session.

"Don't panic – I can do business with myself."

The new Chief Whip's closeness to Howe – who is now Leader of the House – may be important. Renton is a strong European; as an ex-businessman, he may be expected to an advocate of full British membership of the European Monetary System. His immediate task, however, is to help put the Parliamentary Party together again.

If he succeeds, a top post in the Cabinet beckons. The former Kings Scholar at Eton, scholar again at Magdalen College, Oxford, now 57, has had to work his way up.

Labour swap

■ The British are having trouble with the Vietnamese boat people in Hong Kong. The East Germans are losing part of their labour force to the Federal Republic. The residual labour force in East Germany is now Vietnamese. They can be seen all over the place doing the more menial jobs, much as when in the late 1960s the Turks began to move into West Germany as Gastarbeiters.

Is it absolutely impossible for there to be some international diplomacy under which those being turned away from Hong Kong might be asked if they would like to go to East Germany instead? Of course, they may not want to, but many of their fellow countrymen have already done so. And it may just be a way of testing whether Egon Krenz, the new East German leader, wants to enter into international negotiations.

Beckenham

■ Prime Minister Thatcher and John Major, her new Chancellor of the Exchequer and next door neighbour, trod the same ground at an earlier stage in their political careers.

Thatcher had hoped to fight the by-election in Beckenham in the spring of 1957, but the local constituency association preferred the now Sir Philip Goodhart, who has held the seat ever since. At a later date, and at a different level, Major hoped to represent one of Beckenham's plushest wards on Bromley council. Like Thatcher, he failed to get beyond the local constituency association's selection committee.

Flexible pass

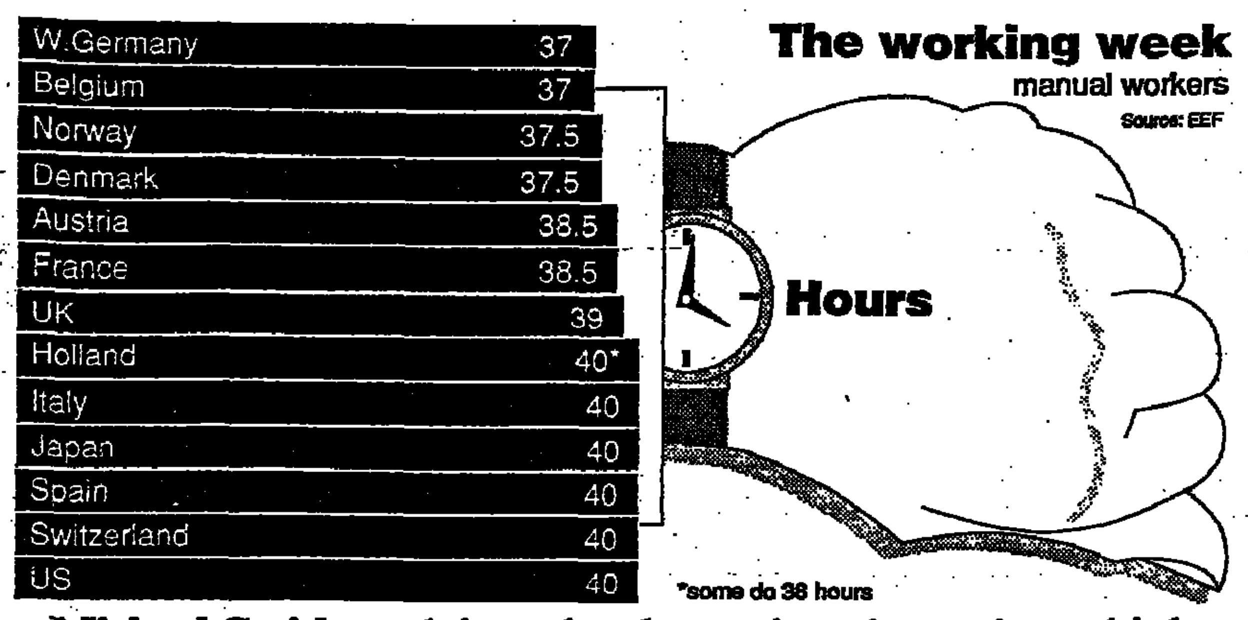
■ One useful innovation introduced on the Berlin transport system by the new red and green coalition. Bus and underground passes are now transferable between individuals. None of the stuff about to having a photograph. Anyone can use it. The change has gone down well: no great complaints about theft.

Accurate

■ The motto of an Ohio firm which offers to "trace your ancestors and prepare your family tree" is "Our business is looking up."

Taking a leaf from the continental book

Michael Smith explains why the engineering unions think now is the time to demand a shorter working week



Mr Andrew Cook was surprised this summer when engineering unions chose the company he heads as a target for strikes in their campaign for a 35-hour week. He was also contemptuous.

"What am I supposed to do?" asked the chairman of William Cook, the steel castings group. "Am I supposed to run to the Engineering Employers' Federation and say 'you must concede a shorter week'?

"It's the last thing I would ever do. If I thought the unions had a case, I would talk with the workforce myself."

The firm stance of Mr Cook and the heads of 5,000 other engineering groups throughout Britain helps to explain why at dawn today the engineering unions, representing 480,000 manual workers, were due to begin the first of what they expect to be a series of strikes across the country.

First in the firing line are British Aerospace, which last week failed to win a High Court injunction to prevent the strikes, and Rolls-Royce. Together they faced walkouts this morning by more than 6,000 manual workers at three plants. Within a month there could be further strikes at Smiths Industries, GKN, Lucas, Weir Group and, by comparison, the tiny Catton & Co, a subsidiary of William Cook.

At a time when British industry is already concerned about the faltering economy, the dispute could – for some companies at least – grow into one of the most damaging of the decade. Much will depend on the unions' ability to maintain the support of their members over what may be a lengthy campaign.

The impetus for a 35-hour week for engineering workers comes from the top of the union movement, rather than from grass roots level. Mr Bill Jordan, president of the AEU, the largest engineering union, has been the most vociferous among union leaders in his advocacy of a shorter week.

His critics, both on the left and among engineering employers, argue that the "proud to be moderate" Mr Jordan badly needs a victory after his union forced him to abandon a merger with the EETPU electricians' union earlier this year. They point out that he must stand for re-election as president next year and suggest he wants something positive to show for his five years in office.

For Mr Jordan – and for the other engineering union leaders – the scope for winning benefits which directly affect all union members is limited.

Although the Engineering Employers' Federation and the Confederation of Shipbuilding and Engineering Unions have for years negotiated national agreements, the pay element of the deals are of decreasing importance. There has been no agreement on pay for two years, because of the hours dispute, and that has caused few problems. The EEF reckons that even before that less than 2 per cent of its members paid as low as the minimum rates it had negotiated with the unions. The rest use the rate of rises negotiated in the national deal merely as a benchmark for their own deals.

Hours are a different matter. Virtually all EEF-affiliated companies have remained faithful to the national agreement which requires manual employees to work 39 hours and white collar staff 37 or 37½ hours. It has been 10 years since the last cut and that affected only manual workers, who had previously worked 40 hours.

In spite of the cynics' reservations about the motives of Mr Jordan and his executive colleagues, many of the people who have observed him at the dozens of meetings he has spoken at around the country during the last six months have been impressed by the apparent sincerity of his beliefs.

His conviction stems in part from the knowledge that, while working hours in this country have remained static during the last decade, those in European countries, like West Germany and France have been reduced. In particular, the German experience has encouraged him to believe that British workers are entitled to – and can win – further reductions.

The CSEU has adopted tactics similar to those used by IG Metall, the West German engineering union, when it won a battle with the employers in 1984 to pave the way for a 37-hour week. Both campaigns have involved selective strikes backed up by a strike levy into which all engineering workers are asked to pay. Both have involved long months devoted to winning the hearts and minds of members.

At meetings, Mr Jordan and his colleagues have used the comparisons with the working hours of other European countries to considerable effect. They have also helped to win converts by arguing that manufacturing workers deserve to share in some of the benefits that their employers have won as a result of their productivity concessions.

"How dare they (the employers) deny you what you have earned," Mr Jordan has shouted time and time again, before reeling off a list of figures to show pay rises of managers have far outstripped that of his members.

His passion – and that of fellow campaigners like Mr Alex Ferry, CSEU general secretary – has helped to garner support for a cause that does not initially arouse emotions among workers in the way a pay dispute can. In spite of their success, support in the factories has been by no means universal.

Ballots among 24,000 workers at seven manufacturing sites two weeks ago showed that manual workers voted by a margin of two to one in favour of indefinite strikes. But 77 per cent of white collar staff were against striking. The white collar unions say they will continue their campaign, perhaps through works-to-rule or overtime bans, but their leverage on employers, already opposed to granting them any hours reductions, will be weaker.

Just as worrying for the the CSEU has been its limited success in persuading members to contribute to the strike levy. Its plea for each manufacturing employee to donate an hour's pay a week has met with contributions amounting to £700,000 a week – equivalent to less than £1 a week from each of those employed by EEF-affiliated companies.

The fund will undoubtedly swell after the strikes get under way today but the unions will need considerably more if they are to increase the number of stoppages and sustain those already launched. The £700,000 does not meet the needs of paying today's strikers the £125 a week they have been promised, although more than £10m has already been accumulated in the kitty.

If the stoppages go on for a long time, the pressure will grow for the £125 to be increased. Although individual unions will pay further strike pay of about £25, many of the strikers are used to weekly pay packets in excess of £200.

But if there are problems for the strikers, employers will also suffer. Rolls-Royce is particularly vulnerable. It is already asking employees in many plants to work large amounts of overtime to cope with a £5.5bn order book.

Mr Ian Wild, aerospace analyst at Barclays de Zoete Wedd, the securities house offshoot of Barclays Bank, says the company has improved efficiency dramatically in recent years, partly through moving to a production system close to the just-in-time method whereby component stocks are supplied only when they are needed. The Glasgow plant was chosen as a strike target by the unions because it supplies components, including turbine discs, to most of Rolls-Royce's other plants.

BAe may be less badly affected in the long term even though it is suffering strikes at two of its plants, in Chester and Preston. Lead times on its products are longer and it will have greater leeway to catch up on lost production. Unlike Rolls-Royce, it has not offered to start local negotiations on a reduced week.

The Rolls-Royce offer at its Glasgow plant and the Tyneside site of its NEI-Parsons subsidiary, together with a similar initiative by Smiths Industries at Cheltenham, has encouraged the unions to believe that they may be poised to take their first scalp of the campaign. Their confidence may be premature.

Both Rolls-Royce and Smiths have said that any deals will have to be along the lines suggested by the EEF when it offered in April to cut the working week of manual employees to 37½ hours. Talks on that offer broke down when the CSEU said it could not agree to the EEF's conditions that the cuts could only be implemented through locally negotiated deals which were self-financing.

In theory Rolls-Royce or Smiths could flout the self-financing rule but they are highly unlikely to do so. After gaining so much improved productivity in recent years, they will be concerned that there will be little more to squeeze out, especially if the unions are not prepared to give firm commitments. Rolls-Royce estimates that meeting the unions' claims in full would add 25 per cent to its wages bill.

Mr Wild, of BZW, says that, Rolls-Royce's share price is likely to suffer through a prolonged series of strikes; but the market, already concerned about the unit costs of British labour, would take a much dimmer view in the long term if the company gave in to the unions' demands.

But supposing Rolls-Royce were to break ranks with the other employers, what would be the pressure on the rest to follow suit? The unions, relieved of the burden of supporting strikes at Rolls-Royce, could launch strikes at other companies with the aim of winning similar concessions.

Getting round all the plants of all 5,000 EEF-affiliated companies would take years – and in some factories there would be immense shopfloor resistance to strikes. But British industry would be suffering and, the unions believe, companies would be clamouring for the EEF to negotiate a settlement.

For the unions to achieve their aims, however, any settlement would mean the EEF telling its affiliates when to implement hours cuts which were not self-financing. That in turn would endanger the national bargaining system which the unions want to protect.

Certainly it is hard to see how employers like Mr Andrew Cook, the ebullient chairman of William Cook, could tolerate such a directive.

LOMBARD

Taming the EC paper mountain

By Guy de Jonquières

ON A RECENT flight I got talking to a fellow passenger, a lady who worked in the Brussels office of a large City of London law firm. Asked about her job, she said she was supposed to be practising European Community law. But, she added apologetically: "Much of my time is actually spent chasing documents."

More and more of her firm's corporate clients, she explained, needed to get hold promptly of the texts of EC proposals and decisions. Unable to do so quickly in Britain, they instructed her to track them down in Brussels.

She is in good company. The 1992 programme and the widening impact of EC decisions on business has unleashed a stampede by international law firms, consultants and research houses to set up offices in Brussels.

Some of them offer specialised lobbying and advice and, by working their contacts, can obtain internal European Commission position papers or early drafts of proposals. But many also earn their bread and butter simply by peddling published official documents to customers outside Brussels.

Since big law firms charge up to £200 an hour for their services, this is money for jam. It is also absurdly wasteful. Modern computer and communications technologies could get a lot more information from Brussels to wherever it was needed, faster and more cheaply. However, the EC is hamstrung by anachronistic practices which virtually guarantee bottlenecks.

Government bookshops and the Commission's own information offices in EC member states stock a range of Community documents. But they take days to arrive from Brussels and can often be supplied only if inquirers can give the exact reference numbers – while the Commission's London offices will not accept telephone inquiries in the morning.

Furthermore, Commission documents are distributed officially only after they have been translated into all nine Community languages, which can take weeks or months. This policy, which also applies to the EC's public computer data-bases, is supposed to ensure that all Community countries receive information simultaneously. In practice, it promotes inequality because the Commission regularly circulates documents in their original French or English – but only in Brussels.

The European Court of Justice, on the other hand, publishes its opinions promptly in the language in which cases are heard. But to get the news immediately you have to travel to Luxembourg, since the texts of most rulings are only issued on the spot. The court is far too grand – or too set in its ways – to use facsimile machines or electronic mail systematically to communicate its wisdom to lesser mortals, even to those working 120 miles away in Brussels.

These anomalies stand out all the more when set against the Commission's frequent bleating about the need to make the Community more relevant to its citizens. It has spent much taxpayers' money over the years on propaganda stunts supposed to inculcate a European "identity", such as dispatching girls in T-shirts to hand out pamphlets at national frontiers. Brussels would do much better to concentrate on distributing real information where it is wanted.

Streamlining bureaucratic procedures would, of course, be only part of the solution. The EC also needs to up-date and expand its electronic database services, to ensure that information is properly cross-indexed and can be located and retrieved easily by the general public. That would be expensive and technically complex. But surely Brussels, which subsidises an increasingly wide range of medium-term electronics industry research programmes, can find cash for a project which would yield immediate practical benefits?

The irony of present arrangements is that, while lauding the virtues of a single market, the EC is sanctioning a seedy black market on its own doorstep. Any system which ensures that public information is available first to those who pay most is not only inefficient, it also offends the principles of a democratic society.

LETTERS

Capital at LWT

From Mr Christopher Bland.

Sir, I was disappointed in Lex's comments on London Weekend Television's capital restructuring (October 26), which totally failed to focus on the central point of the LWT proposals and ignored key elements of the management incentive scheme.

The point of these proposals is that a television company needs an efficient capital structure to maximise its franchise bid. By taking out cash, by incurring debt and by reducing its equity base, LWT moves from being a £190m company to being a £75m company. As a result of the restructuring, LWT could have an additional £6m or so a year with which to bid for the franchise.

Debt, even at today's high interest rates, is significantly less expensive than equity. That normally does not matter too much; but it is crucial when you are bidding for the right to continue in your principal business.

The proposals have the further advantage of offering shareholders 180p now; thus their exposure to the franchise process is reduced and the potential returns from their holding in the reorganised LWT are likely to be higher.

The management incentive scheme is deliberately concentrated on senior management. It is at once potentially more generous and significantly more restrictive than a conventional incentive scheme. Forty-four senior managers will be committing £2.94m in cash, shares or options to the company, and will only realise any substantial benefit if they stay until the middle of 1993. All 44 have signed non-compete undertakings.

Management's rewards are dependent on above-average performance. What shareholder will complain in 1993 about a management stake increasing from 4.1 per cent to 14.7 per cent if the share price has tripled in the meantime?

The fact that most other ITV companies have not yet addressed the capital problem, or devised effective ways of retaining their key people through the franchise process, is hardly a reflection on LWT.

Christopher Bland,
Chairman, LWT (Holdings),
South Bank Television Centre,
London SE1

Interest rates v ERM

From Mr Daniel Moylan.

Sir, Amid all the kerfuffle caused by Mr Nigel Lawson's resignation, it is important not to lose sight of the fundamental policy disagreement at issue.

The question is this: do the costs of using a "hard" exchange rate policy in support of high interest rates as a means of fighting inflation outweigh the benefits or not?

The costs of manipulating markets to "fix" the exchange rate are not only the obvious ones of deploying reserves (for example, taxpayers' money) in an exercise which can be both costly and futile – although these are often large enough in themselves. (Look, for example, at the Danes, who recently borrowed from the Germans over £200 per man, woman and child to use in defending the krone.) There are also potentially significant indirect costs in terms of the distortions caused by not allowing markets to operate freely.

These distortions are increasingly apparent even now in the workings of the exchange rate mechanism of the European monetary system. It is common ground that the D-Mark is undervalued in relation to other EMS currencies. Yet the desire of the Bundesbank for a realignment to correct the situation is frustrated on political grounds by the concern at loss of face by those governments which would be required to devalue their currency in any realignment.

The result is creeping inflation in West Germany, a substantial addition to the German trade surplus (much of which is the counterpart of our own deficit), and pressure on central banks, particularly the Bundesbank, to chuck around quantities of taxpayers' money in the attempt to maintain parities which cannot be sustainable in the long term.

Nor are these costly defects incidental to the EMS: they are of the essence in a system which offers us the benefits of neither free markets nor a single currency, but rather the disadvantages inherent in the untenable mid-point. In this sense the EMS is indeed "half-baked," and it would be an extremely retrograde step for the UK to join the ERM.

Of course, reliance on interest rates alone to control inflation also has its costs – and they can be high. But interest rates have these powerful advantages over reliance on the ERM: they cause far less economic and commercial distortion, thus allowing enterprises to respond efficiently and rapidly to growth opportunities as inflation comes down; they can be adjusted flexibly and instantaneously, unlike the increasingly rigid ERM; and they have the great Conservative virtue of working with the flow of free markets rather than against them.

If the current crisis encourages an informed debate on this most important policy question, rather than degenerating into an ephemeral squabble about "style," then it may, in the end, do the UK some good.

Daniel Moylan,
Egan Associates,
7 Kensington High Street, W8

'Opportunity for a change'

From Mr Ken Gill.

Sir, Last Tuesday, when the £1.4bn trade deficit for September was announced, the Manufacturing Science Finance union (MSF) called for a full debate in the House of Commons on the future of British manufacturing industry.

Mr Nigel Lawson's resignation makes this even more urgent. With a new Chancellor of the Exchequer, there may be an opportunity for a change in government policy.

The cause of our current trade deficit does not lie in the consumer demand and an overheated economy, but in the fact that we simply do not make many manufactured goods any more. How many of your readers have bought a British television set or refrigerator recently?

As Mr John Smith, the shadow Chancellor, said in the parliamentary debate on economic policy last week: "...the first requirement of an alternative approach is to adopt an industrial strategy that puts the promotion of our wealth-creating manufacturing industry at the top of the national agenda for recovery."

By the end of the year the trade deficit could be over £20bn. A programme of capital investment, research, product development, training and marketing should be Mr John Major's first priority.

Ken Gill,
General Secretary, MSF,
79 Camden Road, NW1

Delicate decisions

From Mr David Lomax.

Sir, Bank lending figures for September – a record total expansion of £6.7bn for the clearing banks, £10.2bn altogether for the banks, seasonally adjusted – have led to concern that monetary policy is too expansionary, and to some doubts about the course of the economy. This would be seriously to misinterpret the situation.

The bank lending figures are strong corroborating evidence of the squeeze now taking place. Lending to the personal sector is very low; for example, lending for house purchase is only half that of a year ago.

On the other hand, lending to the corporate sector is extremely high, with £5.7bn from the clearing banks. But that is precisely a reflection of the squeeze in which the corporate sector is now. It is precisely at this stage of a business cycle that the corporate sector is faced with an existing range of spending plans, including investment, other forms of expansion, dividends, and so on. At the same time its cash flow is squeezed, through pressure on prices, reduced demand in some markets, and a continuing high level of costs, which have included wages over the past year.

At this phase the corporate sector increases its borrowing from the banks, under its existing credit lines, while it decides what to do. Will it cut back its investments, cut back its costs, reduce dividends or slow down their growth, obtain further cash through bond or share issues, or do something else? In as far as the present monetary policy requires some financial squeeze on the corporate sector, the most recent bank lending figures should be seen as a symptom of the effectiveness of the policy.

The important thing for the Chancellor – and for all of us – is precisely which decision the corporate sector takes. If it decides that it must restore its balance sheets quickly, through heavy cost and expenditure cutting programmes, the economy could face a recession. But a more balanced assessment, based on medium and long-term confidence in the economy, would make a "soft landing" more likely.

David F. Lomax,
4 Claremont Road, Claygate,
Esher, Surrey

FINANCIAL TIMES
Monday October 30 1989

Janet Bush
on Wall Street

Diverting the feared programme

DEJA VU? Last Friday, Bear Stearns announced that it was suspending stock index arbitrage for its own account. Morgan Stanley followed shortly afterwards. One wonders how long this fit of responsibility will last.

Bear Stearns made the same announcement on May 10 1988. By May 19, it had reconsidered because Mr Alan Greenspan, Fed chairman, had told Congress that restrictions on programme trading could destabilise the market and limit liquidity.

Last year, several securities companies acknowledged that public and political pressure was behind their decision to withdraw from programme trading on their own accounts and Bear Stearns also briefly colluded in this public relations exercise.

Once it was clear that stocks were rising again, all the big players came back in and nobody much minded. After October 13, they did again.

Several investment management companies last week said they would no longer do business with houses who are major league stock index arbitrageurs.

They have a genuine concern, but there is an element of playing to the public gallery both in this boycott and in the arbitrageurs pulling back.

The public relations advantage to Congressmen is also plain to see. Witness the grandstanding by Representative Ron Wyden of Oregon when Mr Richard Breeden, chairman of the Securities and Exchange Commission, testified last week before the Telecommunications and Finance sub-committee.

Mr Wyden's view of the world is simple. The big boy programme traders are greedy, irresponsible and have driven the small investor (his voters) from the market in droves.

The truth is far more complex. One thing Mr Wyden is right about – though this does not help regulators and legislators to find a solution – is the individual investors *are* frightened of programme trading.

It doesn't mean that they have left the market. It might, as Mr Breeden suggested last week, mean that they have left their money in the hands of mutual fund managers rather than deal with market swings directly with their brokers.

The fact is that programme trading is a necessary tool for large institutional investors, such as mutual funds, who choose to run their portfolios as a replica of an index such as the Standard & Poor's.

The SEC acknowledged this last week, when it unanimously approved a new product developed by the New York Stock Exchange, allowing institutions to buy and sell the entire S & P 500 in a single trade within a mini-trading structure which, in theory, should insulate the impact of this trading from the market of individual stocks.

The hope is that Exchange Stock Portfolios - which represent all 500 stocks in the S & P 500 in a single entity - will catch on, divert programme trading which now has such a dramatic effect on price fluctuations in the broad market and make computerised trading for passive investors less costly and more efficient.

ESPs started trading on the NYSE last Thursday when nine $5m units were traded. The new product and market structure set up to accommodate it is clearly at an early stage. Only four big Wall Street securities houses have chosen to become competing market makers in the product.

Reluctance by many others not to participate may reflect natural caution about anything so revolutionary – as Mr Joseph Grundfest, SEC Commissioner, commented last week, this is the first new product innovation at the NYSE since 1792 – but also the fact that there is a public conception that this is yet one more fancy product to encourage large institutions.

The success of the ESPs, in the end, will rest not on political posturing but on whether enough brokerage houses believe that it is useful.

The problem is that not many clients actually hold *perfect* replicas of the S & P 500. They may hold only 490 stocks in the index. Even if they hold 500, they may hold 110,000 of X shares rather than the 100,000 weighted in the index.

There is limited scope in the NYSE's system for trading non-standard portfolios, which is welcomed by the houses which have stood behind the product's development. But even they don't know how effective it will be as it evolves.

One trader said: "Do you know how to design a system to cater for our needs? I don't."

ANC HOLDS FIRST RALLY FOR 30 YEARS

Militant symbols; peaceful words

By Patti Waldmeir in Johannesburg

MILITANT youths carrying toy guns stood guard yesterday over the 70,000 people who attended the first political rally held by the African National Congress of South Africa in nearly 30 years.

But if the symbols of militancy were everywhere in evidence at the giant Soccer City stadium outside Soweto, where ANC supporters gathered to welcome seven of their elderly leaders recently released from jail, the language of the men who addressed the rally was suprisingly conciliatory.

This, and the fact that the rally passed off peacefully despite threats of violence from white extremists, could improve prospects for the release of the ANC leader, Mr Nelson Mandela, who remains in jail.

Yesterday Mr Mandela's closest colleague, Mr Walter Sisulu, released a fortnight ago, pointedly adopted the rhetoric of peace. Addressing the tens of thousands who thronged the stands of Soccer City - one of the largest crowds ever to attend an anti-government event in South Africa - Mr Sisulu repeatedly stressed the movement's commitment to peace.

He said the ANC was "prepared . . . to discuss the suspension of hostilities on both sides," if Pretoria agreed to a list of demands which included the lifting of bans on political organisations and the releasing of political prisoners. But he stressed that the ANC would not abandon violence unilaterally.

A message from the exiled President of the ANC, Mr Oliver Tambo, told the crowd that Mr F W de Klerk, the South African President, "may yet earn a place among the peacemakers of our country."

This was not the sort of language to provoke raptures in a militant, and largely black audience. Mr Tambo's parallel offer - to consign Mr de Klerk to the "mists of history" if he persisted with apartheid - provoked a more vocal response.

Organisers admitted that the crowd had not reached their expectation of 90,000. Nor was it the largest black political gathering in South African history: Zulu chief Mangosuthu Buthelezi attracted as many supporters or more when he addressed the launch of the United Workers' Union of South Africa in 1986.

None the less, the rally was a big event in South African political history: the first opportunity to guage the strength of the ANC, which remains banned under the law but was allowed to operate freely yesterday.

The released leaders seized the opportunity to mobilise their supporters - exhorting them repeatedly to "intensify the struggle" - while at the same time sending a conciliatory message to Pretoria. Face to face talks may still be many months or years away; but "talks about talks" have clearly begun, as both sides inch closer to the negotiating table.

African National Congress leader Walter Sisulu salutes the crowds at yesterday's rally in Soweto to welcome recently released ANC members

BOATPEOPLE IN HONG KONG

Vietnam agrees repatriation plan

By John Elliott in Hong Kong

BRITISH and Vietnamese diplomats in Hanoi have agreed in principle a three-year mandatory repatriation programme which could mean up to 1,000 Vietnamese boatpeople a month returning home from Hong Kong.

The programme, which will start in the next two to three months with the repatriation of 20 to 30 boatpeople, is intended to lead to the return of 35,000 who fail to qualify as political refugees.

Vietnam has agreed to accept the boatpeople back, provided force is not used to expel them.

Despite the agreement in principle, a Hong Kong Government official said last night that the "arrangements have not been concluded." This means that neither exact numbers for the first batch, nor precise timing and transport arrangements have been finalised. The British Foreign Office said yesterday that no agreement had been concluded and talks were continuing.

No agreement is to be signed for at least another month to give the US time to reconsider its opposition to mandatory repatration. It was asked to amend its stance when a UN-sponsored conference, which took place in Geneva earlier this month, reconvenes in about a month.

There are more than 50,000 boatpeople in Hong Kong's camps. Of these some 35,000 are expected to fail screening tests as potential political refugees.

It is these that Hong Kong wants to send back in sufficient numbers so that potential refugees in Vietnam are persuaded that there is no point sailing to the colony. The policy of large-scale repatriation must be under way by March when the weather and tides turn favourable.

Some delegates at the UN conference suggested that a target of three years which has already been adopted for resettlement of bona fide boatpeople refugees could also be set for the 35,000 to be sent home.

That would amount to an average of roughly 1,000 a month which fits in with the average number of 250 a week who are likely to be rejected as potential political refugees by Hong Kong's screening procedure. Officials know that this is probably an unrealistically fast pace, but they are using it for planning purposes.

The first batch may be quite small to minimise the risk of opposition building up and endangering the programme. Hunger strikes and other demonstrations have recently been staged in detention camps against mandatory repatriation.

If the US refuses to soften its opposition, this might force the UN High Commission for Refugees to withdraw its co-operation in screening refugees before they are returned. However, Hong Kong has threatened that it might then pull out of any comprehensive international agreement on the boatpeople, and would want to go ahead immediately with involuntary repatriation.

There is already intense pressure from the colony's political and community leaders for it to abandon its policy of being a first asylum destination.

Refugee chief's exit leaves agency in turmoil

By William Dullforce in Geneva

THE resignation in a whiff of scandal of Mr Jean-Pierre Hocké, United Nations High Commissioner for Refugees, has left his agency in financial and managerial disarray.

The Commissioner's fall is likely to renew debate in the US Congress and elsewhere on whether it is possible to have effective administration of UN agencies which solicit and spend large sums of money and have to reconcile differing perceptions of rich, contributing nations and poor, receiving ones.

Mr Hocké, a 51-year-old Swiss with an impressive record as operations director for the International Committee of the Red Cross, was elected in 1986 with strong US backing to inject rigour and efficiency into an organisation where bureaucracy was seen to be hobbling good intentions.

Some diplomats in Geneva regard his departure as a mishap engendered by his abrasive character. For some it reflects the failure of governments to cope with an escalating world refugee crisis. Others prefer a conspiracy theory that has Mr Hocké's enemies within the agency acting on behalf of governments fed up with the Commissioner's constantly growing demands for funds.

Jean-Pierre Hocké: "abrasive"

There is no doubt Mr Hocké was railroaded out of office by members of his own staff. Anonymous letters, accompanied by a dossier of invoices and memoranda copied from agency files, were sent to diplomatic missions just before the meeting earlier this month of the organisation's 43-nation executive committee.

A Swiss television journalist confronted Mr Hocké with items from these documents in an interview and recorded the Commissioner's request to have the camera turned off.

The letters claimed that Mr Hocké had used some $300,000 from an "educational fund" financed by Danish and Swedish contributions to upgrade his air tickets to first class in contravention of a UN ruling that only Mr Javier Perez de Cuellar, UN Secretary General, has the right to fly first class. Mrs Hocké's fares, including a visit to the Salzburg music festival, had also been paid out of the fund, it was claimed.

The dossier supplied to Swiss television included photocopied evidence of payments made under Mr Hocké's authority to a group of consultants. The anonymous writers alleged that the consultants were friends of Mr Hocké and that the method of payment did not conform with UN regulations.

Mr Hocké justified his first-class tickets by the need to arrive fresh for meetings after 14-hour flights.

Most important, the Danish foreign ministry had authorised payments from the fund to ease the travel and entertainment burden of Mr Poul Hartling, his Danish predecessor. Mr Hocké said he was told the same facility was available to him.

The UN Secretary General opened an inquiry at Mr Hocké's own request. But the Commissioner's decision to resign appears to have been precipitated by a statement last week from Mr Uffe Ellemann-Jensen, Danish Foreign Minister, querying his judgment and asking why he extended use of the fund to "a wider circle of persons." It was impossible for the agency to continue its work with a Commissioner shackled by the will to destroy of "some people here and elsewhere," Mr Hocké said. However, his style undoubtedly provoked hostility among his own staff.

Brutal, high-handed, authoritarian, a one-man show, bereft of human feeling – the epithets flowed. In trying to build a professionally run organisation, Mr Hocké trod on plenty of toes.

When asked whether he felt himself to be a victim or whether he had made mistakes, Mr Hocké replied: "Both." That honest and surely accurate answer underlines the size of the job awaiting his successor.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	21	70	Dubrovnik	S	20	68	Malta	S	22	72	Rhodes	S	23	73
Algiers	S	25	77	Edinburgh	S	13	55	Manchester	C	09	48	Rio de J'o	-	-	-
Amsterdam	R	14	57	Faro	S	22	72	Manila	F	33	91	Rome	C	22	72
Athens	F	24	75	Florence	C	20	68	Melbourne	S	18	64	Salzburg	R	11	52
Bahrain	F	33	91	Frankfurt	F	14	57	Mexico City	F	24	75	San Francisco	F	20	68
Bangkok	F	32	90	Funchal	S	22	72	Miami	C	28	82	Seoul	F	19	66
Barcelona	F	22	72	Geneva	R	14	57	Milan	R	10	50	Singapore	-	-	-
Beirut	F	23	73	Gibraltar	S	20	68	Montreal	C	19	66	Stockholm	R	10	50
Belfast	F	09	48	Glasgow	S	14	57	Moscow	C	07	45	Strasbourg	C	13	55
Belgrade	F	25	77	Guernsey	C	13	55	Munich	C	10	50	Sydney	F	22	72
Berlin	C	15	59	Helsinki	C	07	45	Nairobi	R	22	72	Taipei	F	29	84
Biarritz	F	21	70	H. Kong	F	26	79	Naples	S	19	66	Tangier	S	24	75
Bombay	S	32	90	Innsbruck	R	11	52	Nassau	S	30	86	Tel Aviv	R	21	70
Bordeaux	C	18	64	Inverness	S	12	54	New Delhi	F	30	87	Tenerife	F	24	75
Brussels	F	13	55	Islamabad	F	27	81	New York	F	25	75	Tokyo	F	20	68
Budapest	C	19	66	Istanbul	C	19	66	Nice	S	21	70	Toronto	F	18	64
B. Aires	F	25	77	Jakarta	R	32	90	Nicosia	R	26	79	Tunis	S	25	77
Cairo	F	25	77	Jersey	R	14	57	Oporto	F	19	66	Valencia	S	23	73
Cape Town	S	23	73	Jo'burg	C	23	73	Oslo	R	08	46	Venice	R	12	54
Caracas	C	27	81	Lima	F	21	70	Paris	R	16	61	Vienna	R	18	64
Casablanca	S	21	70	Lisbon	F	21	70	Peking	F	19	66	Warsaw	F	15	59
Chicago	C	23	73	London	C	13	55	Prague	F	13	55	Washington	F	12	54
Cologne	F	14	57	Los Angeles	F	23	73	Reykjavik	F	03	37	Zurich	R	10	50
Copenhagen	F	13	55	Luxembourg	F	11	52								
Corfu	S	25	77	Madrid	F	21	70								
Dallas	-	-	-	Majorca	S	23	73								
Dublin	C	10	50	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Major to set out position

Continued from Page 1

but only when there is a "level playing field."

Colleagues say the Chancellor's first and overiding priority will be to bring down the inflation rate

If he succeeds in curbing inflation – and Britain's European partners meanwhile fulfil their obligation to remove exchange controls and liberalise their capital markets – Mr Major will not rule out EMS membership before the election.

That, in turn, could make Mrs Thatcher's opposition to any move during the present parliament untenable. After the events of the past few days, the consensus at Westminster is that the Prime Minister would find it impossible to resist the advice of her Deputy Prime Minister, her Chancellor and her Foreign Secretary.

What the new Chancellor cannot take for granted, however, is that either the Labour Party or the financial markets will allow him the breathing space to underwrite his instinct towards pragmatism

THE LEX COLUMN

A not so happy anniversary

Three years after Big Bang, the London market finds itself in such turmoil that the gains and losses from the revolution are hard to assess. At this distance, it takes an effort to recall that the whole process resulted from the simple abolition of the commissions cartel. As might have been expected, the chief benefit to market users – the big ones, anyway – has been a reduction in costs. The price has been the *loss of single capacity*, entailing not only a degree of compromise on the impartiality of research but a threat to the integrity of the central market.

The last point is currently the most pressing. The SEAQ screen last Friday showed no market maker willing to quote in over 25,000 shares for a third of the stocks in the FT-SE. Taken with the width of published spreads and the increasing reluctance of the market makers to hold stock, this contrasts sadly with the old trading floor. It might be objected that these are temporary problems associated with market turbulence: but the benefit of reduced dealing costs could prove temporary too, once industry overcapacity has been corrected.

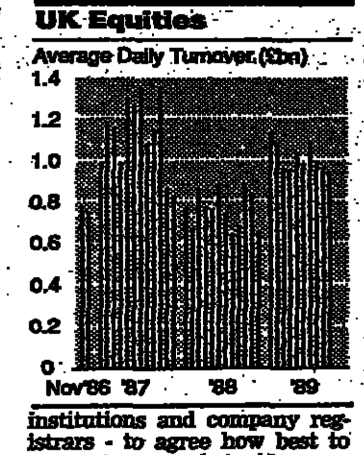
Not that the clock can be put back. Another benefit for the institutions from the present system is the ability to execute block or programme trades, which in turn result from adjustments to indexed funds. The market makers, when taking them on, will normally hedge them with index futures. These developments belong to a new and more complex world. London's screen-based trading system, in its present evolutionary stage at any rate, has yet to catch up.

Technology

Technology made Big Bang's biggest headlines: the software flaws that hamstrung the SEAQ system in the days after October 27, and the 1987 settlement crisis. Along with the cost of office space, systems pose some of London's biggest problems.

After arduous debate the Stock Exchange has not yet agreed on the right design for the vital, cost-cutting all-electronic Taurus system for bargain settlement and share registration. Technology is not the issue; there is no shortage of manufacturers and software houses to help. The snag is the institutional problem of getting interest groups - the Exchange's own officials, London brokers, market-makers, country brokers, investing institutions and company registrars - to agree how best to use systems market-wide.

UK Equities



Should the Exchange supply systems at all, instead of leaving the market's participants to do it? The lessons of the Exchange's SAEF automated execution system for small deals are interesting. SAEF handles about 400 transactions daily; a rival BZW system handles nearly 4 times as many.

Not that the Exchange's system is bad: but private systems tend to be more flexible. Reuters is launching its all-electronic foreign exchange trading network, Dealing 2000; it may be only a matter of time before it has a similar product for UK equities. And while technological innovation can only be good news for the securities industry, it has a habit of making old institutional structures, like centralised stock exchanges, obsolete.

The players

Some banks mounted full-frontal assaults on the equity markets at the time of Big Bang; some searched timidly for niches where they would be safe from the crossfire; but the best strategy might have to been to stay out of the front line and keep wallets firmly in pockets. It is hard to imagine that anyone has made a decent return on capital in their London equity market operations and the lean days are far from over.

Some have proved more unequal to the task than others. In relative terms, buying a quality jobber (as Barclays and S G Warburg have illustrated) has proved a much better way of attacking the equity markets than attempting to graft market-making capacity onto a broking firm. Buying small jobbers, as Morgan Grenfell did, was no solution.

The biggest smile is probably on the face of a bank like Schroders, which is still winning its fair share of corporate finance business without the capital muscle which was supposed to be essential. And those US banks which have built up their London businesses slowly by hiring a few key individuals have escaped the traumas of rivals which bought entire broking firms and then watched their goodwill walk out.

But in general, those stockbroking partners who sold out in the last days of fixed commissions proved their deal-making skills by the prices they negotiated. At least the banks can console themselves with the thought that they have played their part in the revival of the country house market.

Foreign centres

It is difficult to tell whether London's competitive advantage as Europe's premier financial centre is stronger now than it was before Big Bang. The pound has appreciated, inflation in the UK is higher than in rival countries and the regulatory burden is greater than it was. In addition, many of the moves that London took to strengthen its position have been imitated in other European financial centres.

Indeed, the speed with which the authorities in some countries, particularly France, have introduced tax and other regulatory changes to boost the advantages of their domestic financial centres has often left the UK authorities behind. The Bank of England has encouraged London's efforts to become the primary centre for Ecu trading, through its Treasury bill offerings. But until very recently the UK authorities ignored all pleas to improve the liquidity of the shrinking government bond market, a key attraction of any financial centre.

Volume on the Matif, the French competitor to London's Liffe, has been growing far more rapidly, and rival Continental European exchanges have been stealing business away from London. But a couple of pointers suggest that the threat to London may be exaggerated. During the recent crack in global stock markets international share trading in London surged, reflecting its much deeper liquidity compared to many of its Continental competitors. Similarly, while volume figures for derivatives are significant, London's growing importance for off-exchange derivative products should not be underestimated. Reports of London's relative decline as a financial centre are premature.

SECTION III

FINANCIAL TIMES SURVEY

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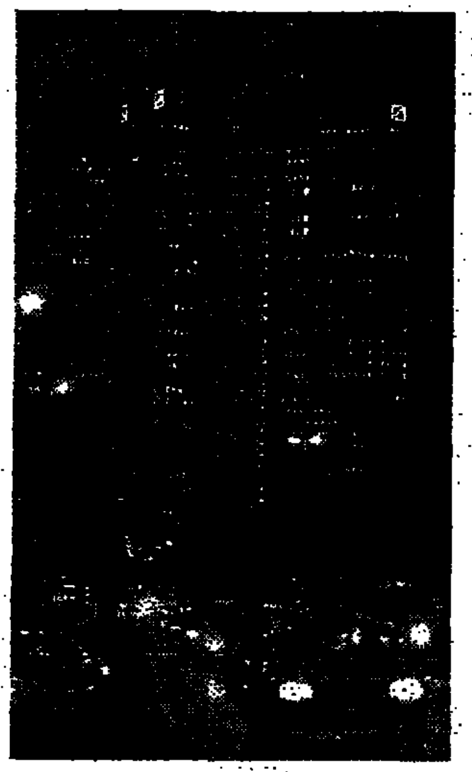
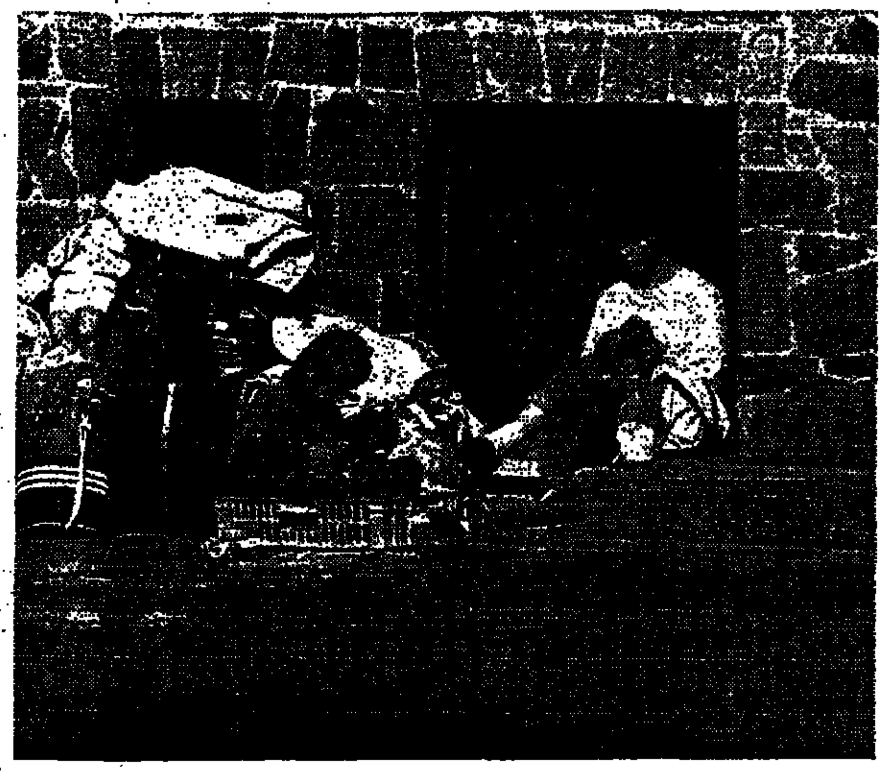
Editorial production: Khozem Merchant
Pictures: Alan Harper

West Germany has an unresolved grievance: the goal of achieving "state unity" with the eastern half of the divided nation. As **David Marsh** reports, the time is now approaching when some form of reunification may find its way back on to the political agenda

Taking stock after 40 years





Dual faces of the Germanys: prosperous Frankfurt and (right) East German refugees hoping for a new life in the West

West Germany

DURING the past four decades, West Germany's allies and neighbours have come to look at it as a country sinking into settled post-war staidness. For reasons which have to do both with the world outside and with the Germans themselves, this view now is undergoing a sharp correction.

In 1989, the Federal Republic has commemorated with justifiable pride its 40th birthday as the most peaceful, stable and prosperous state ever erected on Germany's well-churned soil.

Anniversaries are a time to take stock. But, in this case, the celebrations also appear to mark the opening of a new epoch in central Europe. The reforms of Mr Mikhail Gorbachev and the moves towards political pluralism and market economics in Poland and Hungary have culminated this month in popular pressure for changes in East Germany. Mr Eric Honecker, the leader since 1971, has been forced to retire. Mr Egon Krenz, his successor, has promised some type of reform, but his options appear very limited.

The tumult and change on West Germany's eastern borders will spill over inevitably into the Federal Republic.

It is the only member of the Nato alliance with an unresolved grievance written into its birthright: the constitutional goal of achieving "state unity." The political and emotional desire to reforge links with the eastern half of the divided nation is still unrequited. But the time is approaching when some form of German reunification may find its way back on to the agenda again.

The period over which this might appear feasible has shrunk from a matter of decades to perhaps 10 to 15 years.

In combination with the dual wish of both superpowers to push through rapid disarmament in central Europe, the German Question has suddenly reacquired momentum.

At the same time, a certain German restlessness has come to the fore. The Federal Republic is the world's most important exporter, and the second largest creditor (after Japan). Seven years of steady economic recovery, culminating in much-better-than-expected economic growth in 1988 and 1989, have added to West Germany's assertiveness.

As exemplified by the record trade and current account surplus this year, West German companies are in better shape than those anywhere else in the Economic Community to take advantage of the opportunities of the EC's post-1992 Single Market.

In sharp contrast to the 1950s, when "reunification" was last seriously discussed, the Federal Republic's economic strength gives it powerful cards in steering through a fresh phase of *Ostpolitik*.

As the countdown starts to what may be a highly polarised campaign for the December 1990 general election, Chancellor Helmut Kohl faces the almost Herculean task of ensuring that the new perspectives in the East do not unhinge Bonn's ties to the West.

The apparent withering of Communism in the Soviet bloc provides grounds, of course, for hope. But the speed of developments in the East also throws up old questions about Germany's place in the world.

The Federal Republic's friends in the EC and in the US are now starting to recognise that there are no clear-cut answers. As President Richard von Weizsaecker put it at a ceremony in May to mark the 40th anniversary of the Federal Republic's Basic Law (constitution): "We in the West stand before an enormous test."

In direct reference to Poland and Hungary, he delivered this warning to the western alliance: "Under the conditions of the Cold War, it was easy to be united. Now that the world does not indicate so clearly who is for us and who is against us, it is becoming more uncomfortable."

Because of the painful penance of partition, the Federal Republic stands greatly to benefit from a permanent easing of East-West tension. But it will also suffer more than any other country in the West if the pace of change in the East proves unsustainable.

This autumn's flood of fugitives from East to West Germany, and the widespread street protests in East Germany against the Communist regime, have brought to the attention of the world the basic tensions underlying German division.

Self-determination for the people of East Germany is a process which could plainly lead to some form of German confederation in the middle of Europe. This would be in accord with a goal backed for 40 years not only by the Federal Republic but also by the western allies, signatories with Bonn of the 1955 Relations Convention. Genuine rapprochement between the two Germanys could however simultaneously endanger the equilibrium of forces in Europe which have underpinned the post-war order.

Both Chancellor Helmut Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister, reaffirm that the correct response to the new opportunities opening in the East is to press on even more resolutely with western European integration.

For the umpteenth time, Mr Kohl repeated this month that Germany will not take a "special path" to regain unity at the expense of its western ties. Mr Kohl and Mr Genscher want to use the "magnetic attraction" of western Europe to advance the cause of democracy and market economics in the East.

Particularly in the field of defence, however, balancing Bonn's western leanings with its eastern yearnings is becoming steadily more complex. Differences with the US, Britain and France over "modernisation" of short-range Lance nuclear missiles on German soil were patched up, thanks to US diplomacy, in time for Nato's May summit.

Whatever the degree of progress of the conventional arms talks in Vienna, the nuclear "modernisation" question is, however, due to resurface some time next year — just in time for the West German election campaign.

Nato's three atomic weapons states are adamant that land-based nuclear missiles will still be needed in West Germany to maintain deterrence. But Mr Genscher, backed by a substantial phalanx of political opinion on both Left and Right (and, almost certainly, by a large majority of the electorate) is equally adamant that no new weapons will be deployed.

The debate over nuclear deterrence underlines how, in a typical German paradox, the new detente in Europe re-exposes West Germany to the classic dilemma of "the land in the middle."

This is a reflection of its geography, history and economic weight. Whenever the Federal Republic takes steps to try to steer in its favour the changing European status quo, it almost inevitably runs into criticism or suspicion in either East or West.

To take one example, West Germany's espousal of Mr Gorbachev's "European house" rhetoric has brought Bonn some criticism in other western chancelleries. Whatever the soothing claims from Moscow, there are doubts over whether the US would really find room in the new home.

Mr Kohl signed a declaration with the Soviet leader in Bonn in June underlining the "European house" ideal. The document also pledges the right to self-determination for "all peoples and states". This clause is reckoned by Bonn to have particular relevance for East Germany.

But, while it has been discomfiting its western allies, Bonn's activism on "overcoming the division of Europe" has simultaneously been causing headaches in Moscow.

In his speech in East Berlin this month reaffirming East Germany's sovereignty, Mr Gorbachev delivered something of a cold douche to German aspirations. His tough line followed closely on the heels of a still more outspoken address, at the United Nations in September, by his Foreign Minister. In clear reference to Germany, Mr Eduard Schevardnadze warned pointedly against "revanchist forces thirsting for revision and changes in the post-war realities in Europe."

Mr Gorbachev emphasised that, "the recognition of post-war realties has assured peace in Europe." And, referring to the future of East Germany, he specifically warned against "a dubious interpretation" of June's Moscow-Bonn declaration. The Soviet message appears to be that the Cold War may be fading, but one of its foremost consequences — the partition of Germany — cannot be reversed without destabilising Europe.

It would be an ironic product of superpower detente if the Germans were to believe that Washington and Moscow had decided over their heads to maintain the European status quo by keeping Germany divided. Partly because of such suspicions, and also reflecting the sheer political rhetoric expended on the subject over 40 years, German reunification is certain to play an important role in the election campaign.

Fragmentation of the popular vote started with the election to parliament of the Greens ecology party in 1983. It continued in the January 1987 poll. And it has gone a step further since then with the emergence of the far Right Republicans as a party capable of taking 5 per cent of the votes in December next year.

The Republicans advocate "Germany first" policies over the EC and on German unity. This is forcing Mr Kohl's Christian Democrats to take a stronger line on defending traditional conservative virtues. Also, the protest votes attracted by the Republicans — above all in the June European elections — reflect the electorate's dissatisfaction over shortage of housing, unemployment and heavy immigration.

Inflows of ethnic Germans from East Europe and the German Democratic Republic this year are likely to total 500,000. This represents the greatest wave of immigration since 12m Germans displaced from Communist Europe flooded westwards in the early years after the Second World War. The emigres have added to pressure on housing and social security. But they appear to have given the economy a boost.

The Christian Democrats have so far drawn surprisingly little electoral comfort from the unexpected boom in the economy. But, assuming that both superpower detente and the economic upswing continues in 1990, Mr Kohl seems at present to have a strong chance of remaining in power after the elections.

West Germany has certainly become greatly more self-dependent during the past 40 years. But the demonstrable link between the Chancellor's electoral fortunes and events in Moscow and Washington is a reminder that much of this increase in manoeuvring room is more apparent than real.

FOREIGN POLICY

Bonn's balancing act

WEST Germany is in the throes of difficult decision-making on how to balance its policies towards the European Community with its vision of opening up a new Europe of East and West.

Both on the question of European monetary union (EMU), and over the discussions on extending the EC eastwards with the accession of states like Austria and (eventually) Hungary, there is a risk that Bonn will step out of line with its partners.

Because of the dramatic pace of change in eastern Europe, *Mr Hans-Dietrich Genscher*, the Foreign Minister, says that Bonn needs to press ahead even more forcefully with western European integration. This would, he says, assure the EC's value as a magnet and as a model for fledgling democracies in the East bloc.

Other people, however, are drawing diametrically opposite consequences from the same set of circumstances. Forging ahead with western political and economic union, so the argument runs from forces on both the Left and the Right, not only distracts West Germany's attention from the East, but is also positively unhelpful to the long-term aim of clinching some form of reunification (or reassociation) with East Germany.

It is significant that general *support for European political* union has fallen markedly in West Germany over the past decade – partly because the Federal Republic now manifestly has more options to consider an independent path in Europe.

Steering the right European course will present Chancellor Helmut Kohl with exceptionally tricky political challenges in the months ahead.

On the monetary question, both Mr Kohl and Mr Genscher have given strong rhetorical backing to the idea of monetary union, which would culminate in the setting up of a European central bank.

At the EC's Hanover summit in June last year, rounding off the Federal Republic's successful presidency in the first half year of 1988, Mr Genscher declared that a European central bank was "essential" over the next decade. Only slightly less fulsomely, Mr Kohl said he was 90 per cent certain that some form of monetary union would come by the end of the century.

However, the French Government's bid to steam ahead with monetary union plans has concentrated minds powerfully in Bonn. France would like to convene an inter-governmental conference as soon as possible after July 1 1990 (the date set for "stage one" of the move to EMU) to decide changes in the Treaty of Rome to make union practical.

Bonn is worried that forcing the pace will be unpopular domestically. Bringing together a full-scale conference during the run-up to the general elections in December 1990 might strengthen anti-EC opinion in the electorate. This applies not only to the nationalist Republicans, but also to strong elements in both the Christian Democrats and Social Democrats.

To try to harmonise its inter*nal position on EMU, the Bonn* Government has set up a working party on the question. Linking the Chancellery, Foreign, Finance and Economics Ministries, as well as the Bundesbank, it has been meeting since August to draw up a common position. But the question of when an EMU conference will take place has been left open.

The next regular consultations with France in November will be crucial in preparing a Bonn-Paris consensus ahead of the EC's Strasbourg summit in December. But because West Germany and France clearly have different EMU priorities, bridging differences over timing may prove difficult.

West German politicians may come round increasingly to the opinion expressed by Mr Karl Otto Pöhl, the president of the Bundesbank, that acceding sovereignty over monetary policy is a problem not simply for Mrs Margaret Thatcher, the UK Prime Minister.

The Bundesbank's sceptical view was summed up in September by Mr Leonhard Gleske, its long-serving director in charge of international affairs. At a ceremony marking his retirement, he said that he hoped to see monetary union – but he also hoped to live a long time.

Bonn's *dilemma* over balancing policies towards East and West is also apparent in its strategy on extending the EC. In an interview with the Vienna newspaper Die Presse during his summer holiday in Austria, Mr Kohl gave the strongest possible backing to eventual Austrian membership (likely to take place at around 1996 at the earliest).

Mr Genscher has called on the EC to back what he calls a "European plan" to foster co-operation with reform-minded east European countries. The category includes not only *Poland and Hungary* but also, eventually, East Germany. Mr Genscher certainly does not think that such countries can join the EC in the next few years – but favours "associative agreements" to bring them, long-term, into the EC's orbit.

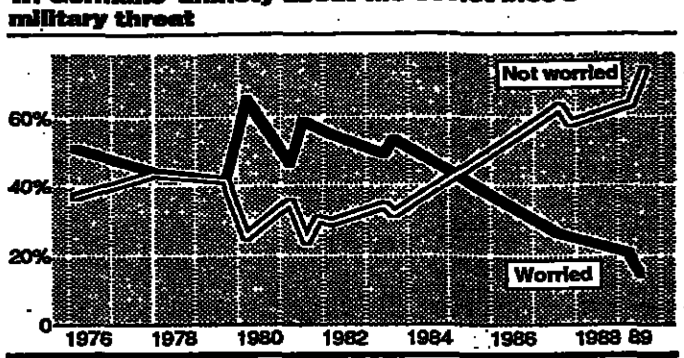
This may be an extremely praiseworthy long-term goal. But realising it would also change the nature of the EC from a westwards-facing organisation to a community with a pronounced central European and even neutralist character.

Mr Genscher puts forward a vision of a federal Europe of East and West, and says that "no one thinks any more in the category of nation-states." However, it is far from certain whether countries like France and Britain – or even Italy – share this view.

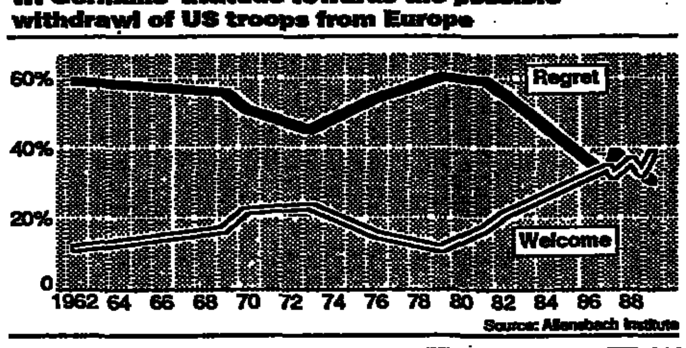
As an inevitable consequence of the shifts in the European political map, Germany, the land in the middle, is again looking both ways. Bonn will have to do a lot of hard thinking over the past 12 months – as well as hard talking with its western partners – if it is to keep its European policies on an even keel.

David Marsh

W. Germans' anxiety about the Soviet bloc's military threat

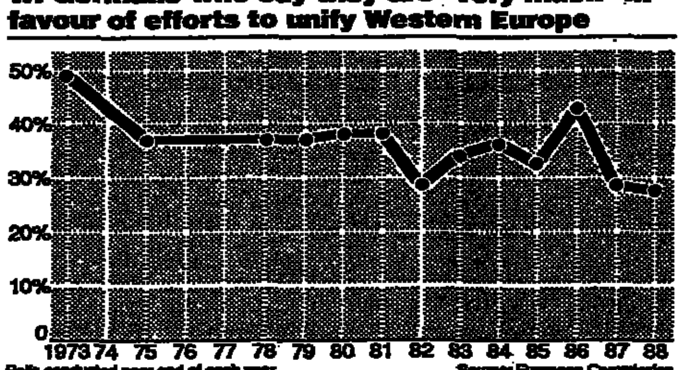


W. Germans' attitude towards the possible withdrawal of US troops from Europe



Source: Allensbach Institute

W. Germans who say they are "very much" in favour of efforts to unify Western Europe



Polls conducted near end of each year

Source: European Commission

POLITICS

Rise of minorities upsets equilibrium

Fault lines: Helmut Khol, leadership defects; Hans- Jochen Vogel, SPD chairman, lacks charisma

OVER the next 13 months, West Germany faces a gruelling period of electioneering, and, possibly, a political watershed. For *the first time* in its history, five separate party groupings, all with a chance of assuring the 5 per cent of votes needed to secure a place in the Bundestag, are competing with each other for the electorate's favour.

The advent of the far Right Republicans, in many ways the *mirror on the Right of the* ascendancy of the Greens earlier in the decade, has complicated the political spectrum. Support has slipped away from the two poles which have dominated 40 years of politics – the conservative fraternity of the Christian Democratic Union/Christian Social Union (CDU/CSU) and, on the *Left*, the Social Democratic Party (SPD).

The liberal Free Democrats (FDP), who have participated in government as coalition partners in all but seven of the republic's 40 years, are now no longer alone in holding the potential balance of parliamentary power.

Assuming, as seems reasonable at the moment, that neither the CDU/CSU nor the SPD achieves 40 per cent of the votes at the December 1990 election, there are four possible alternatives for the next government. They are:

■ Chancellor Kohl stays on at the helm of a conservative-liberal coalition. Currently, in spite of Mr Kohl's clear leadership defects, this seems the most likely possibility. East-West detente, the spectre of reforms in East Germany, domestic economic boom would all help Mr Kohl.

A *sitting government has* never been voted out of power; the changes in 1969 and in 1982 came as a result of a reshuffling of coalitions. However, Mr Kohl is vulnerable to a setback in East-West relations. For instance, if the conventional *stability talks in* Vienna fail to produce agreement by next summer, he will face renewed disarmament pressure from Right and Left. Also, the Republicans are eating away at traditional conservative voting support – one reason why the CDU is trying to reaffirm traditional right-wing values.

■ The Social Democrats re-take power in combination with the FDP. The SPD however is in some disarray, particularly over economic policy and its East-West strategy. The events in East Germany have caught the SPD – even more than the CDU – badly unprepared.

The SPD's prospects are likely to be helped by any possible downturn in the world economy next year. Four important Land (state) elections over the next year – in Saarland, North Rhine Westphalia, Lower Saxony and Bavaria – are, on balance, likely to show improved performances by the SPD. However, Mr Hans-Jochen Vogel, the SPD chairman, though a good organiser, shows a painful lack of charisma. Having already lost against Mr Kohl in 1983, he is unlikely to be the SPD's Chancellor-candidate next year. Mr Oskar Lafonthin, the Saar premier, may move up to *take over the leadership* baton – but his policies on the economy and Nato appear muddled, and he has no solid support in the party.

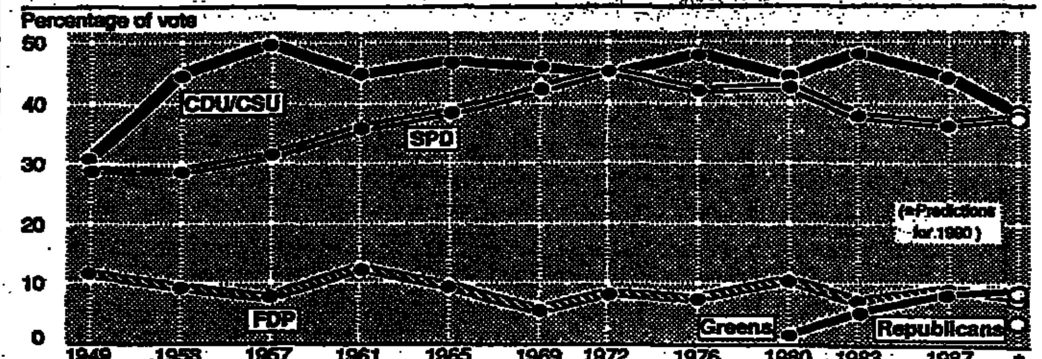
Compromise candidates would be either Mr Bjoern Enwtolm from Schleswig Holstein or Mr Johannes Rau from North Rhine Westphalia (the defeated Chancellor-candidate in 1987). Both have been consolidating their regional political bases.

■ The SPD could rule with the Greens in a Red-Green coalition. Presently this remains an outside possibility. Mr Joschka Fischer, one of the Greens' leading politicians, currently thinks this is unlikely. It is only possible if anti-nuclear and anti-Nato feeling rises to a crescendo.

■ A Grand Coalition between the CDU/CSU and SPD, last seen in 1966-69. It succeeded in stabilising the Federal Republic at a fraught time. However, this is only likely at a period of crisis. It would be precipitated by a combination of recession and/or setback for Mr Mikhail Gorbachev's reform efforts and/or renewed East-West tension. Quite apart from the impact of such a coalition on West German politics, this is an outcome which the Federal Republic's allies are fervently hoping will not occur.

General election results

Percentage of vote



PROFILE: WOLFGANG SCHAEUBLE

Tough on immigration

THE elevation of Mr Wolfgang Schaeuble to Interior Minister in April was perhaps the least controversial change in Chancellor Helmut Kohl's spring cabinet reshuffle.

Mr Schaeuble, a smoothly competent 47-year-old from Freiburg, in south west Germany, won his spurs — as well as a reputation for crisis management — during five years as Chancellery Minister from 1984 onwards.

Now, he is in charge of one of Bonn's key ministries, dealing with a number of the themes which are certain to be central issues in next year's general elections.

The Interior Minister's horizons — his views on the development of West German society and his thoughts on his own political career — however extend well beyond the December 1990 poll. Mr Schaeuble is one of the most thoughtful of Mr Kohl's cabinet ministers — and, perhaps, one of the Christian Democrats' better-qualified candidates eventually to succeed him.

Interviewed in his fortified office complex in the north of Bonn, Mr Schaeuble summed up with a well-controlled smile his intention of keeping his ministry as far as possible "out of the limelight."

Among Mr Schaeuble's responsibilities are coping with the influx of 500,000 East European emigres this year, as well as devising policies to stem flows of asylum-seekers from the Third World. In the law and order field, the apparent ebbing of urban terrorism, together with the abatement of anti-nuclear protests after this year's decision to abandon the Wackersdorf reprocessing plant, has certainly made Mr Schaeuble's life easier.

His predecessor, Mr Friedrich Zimmermann, from the Bavarian Christian Social Union, was shunted aside in April to Transport Minister. Mr Zimmermann, an ultra conservative, had a habit of encouraging polemics, both over immigration and on law and order. Mr Schaeuble, in contrast, believes in getting matters done through a quietly persuasive application of intelligence.

In contrast to Mr Zimmermann, Mr Schaeuble is said by aides to be a workaholic. If he disappears from Bonn for a day, it is most likely to be for a helicopter trip to one of the ministry's roughly 40 subsidiary organisations dotted around the country.

On the liberal wing of the Christian Democrats, Mr Schaeuble argues strongly in favour of introducing more flexible working practices to encourage more West German women to go to work.

He has shown foresight in drawing attention to the economic and social consequences of the forecast decline and ageing of the population over the next 40 years. Mr Schaeuble points out that countries such as France where more women go to work tend to have higher birth rates. This is partly because better early schooling and kindergarten facilities allow women to combine a career with a family.

There have been some small, but hopeful, signs that the chronic decline in the German birth rate since the 1970s may be flattening out. But unless the German birth rate increases, Mr Schaeuble stresses that the latest inflows from the East will not make much difference to general prospects for ageing. "Where we now have young Germans — you will later have old Germans," he says.

This year's surge of newcomers from the East appears to have toughened his line on immigration. With 4.5m foreigners now living in the Federal Republic, "we have reached the limit of our absorption capacity."

Part of his job is somewhat defensive. In trying to push through new legislation on immigration and the integration of foreigners, Mr Schaeuble says: "We have to take away the fears of the population." He hopes to push through before 1992 a revision of Article 16 of the constitution, allowing the Federal Republic to harmonise its own relatively liberal asylum provisions with those in the rest of the Community.

The Federal Republic, he points out, is a thickly-populated country with a "special responsibility" to offer homes for the Germans from the East. He points to the danger that this year's massive inflow of German emigres, together with rising entries of asylum-seekers, could lead to "conflict" with the indigenous population. "We have to lower the potential for jealousy," he says.

All this provides fertile soil for the radical Republican Party. Thus, while Bonn officially continues to extend a warm welcome to the German emigres, Mr Schaeuble has brought in legislative steps this year to cut their access to unemployment and social security benefits.

He admits the government has been caught unawares by the influx. Compared with anticipated arrivals of between 250,000 and 300,000, this year's actual total of 500,000 represents an error of 100 per cent, he points out.

In his previous job as Chancellery Minister, Mr Schaeuble had responsibility for operational dealings with East Germany. He is one of the Ministers flanking Mr Kohl who likes to talk about responsibilities for the Germans in the "Fatherland" — both halves of the divided nation.

But he is far from being a red-blooded German nationalist. Pointing to the Soviet Union's vital interest in preserving East Germany as an ally, Mr Schaeuble says: "We do not want the danger of destabilisation in the East." Overcoming the division of Germany can only be carried out "in a European context," Mr Schaeuble says.

Before he can elaborate on what this oft-used phrase actually means, Mr Schaeuble has to leave to make his own contribution to overcoming divisions: he is already late in greeting a visiting police delegation from Hungary.

David Marsh

PROFILE: DANIEL COHN-BENDIT

A tamed street-fighter

Mr Daniel Cohn-Bendit sits somewhat restlessly in a newly painted, spartanly furnished office near West Germany's most powerful commercial bank, the big glass windows of which would have been a tempting target 20 years ago during his days as a student firebrand on the streets of Paris.

To those who admiringly point to Frankfurt as a city of contrasts and openness, conceiving ideas and setting trends which later take root across the country, the presence of Mr Cohn-Bendit in Germany's financial capital almost in the shadow of Deutsche Bank is proof that opposites can co-exist in peace, if not necessarily comfort.

But Mr Cohn-Bendit does not just live in Frankfurt. He has a job in the new city administration. These days, the man who was eventually expelled from France is mellower than in the 1960s, though he can still provoke and surprise. He is a member of the Green party and publishes a magazine called *Pflasterstrand* (Pavement Beach) which mixes left-wing politics with news of cultural and entertainment events.

His new job is to run a multi-cultural department aimed at integrating foreigners more closely into the life of the city, 20 per cent of whose 620,000 inhabitants are non-German. It was set up by Frankfurt's recently elected coalition of Social Democrats (SPD) and Greens.

Yet Mr Cohn-Bendit himself is not an elected official. His position in the administration is honorary — "the difference is that the other department heads get DM9,000 (a month) and I get DM1,900."

Interviewing people for jobs as he builds up his team is certainly not something he has done before. Yet even his enemies — though it is hard to imagine that the impish Mr Cohn-Bendit has any — would hardly claim that he has turned respectable. Dressed in jeans, dark blue sports shirt, and sports shoes, and with his tangle of red hair, he hardly looks the picture of a model official. "It's the first time I've been an administrator," he says. "It's fun, it's new."

The idea for the new department was his and it will be up to him to make it work. Other cities may then take it up. "They're looking keenly to see what happens, wondering if they should do the same." At a time when refugees have been streaming across the Federal Republic's borders, his office could not have been formed at a more opportune time. The main groups of foreigners in Frankfurt are currently Turks, Yugoslavs, Spaniards, and Italians. But Mr Cohn-Bendit says he has even been contacted by Sikhs.

Daniel Cohn-Bendit: mellower

The city is not noticeably beset by racism. But Mr Cohn-Bendit points to the unexpectedly high number of extreme right-wing votes in the city election as a reflection of latent anti-foreigner feelings. "There is no virulent, militant racism in Frankfurt, but there is uncertainty," he feels. "It is hard for Germans to accept foreigners. It's not part of their tradition."

Looking beyond the needs of foreigners in Frankfurt, Mr Cohn-Bendit also has clear views about developments in the East. "In five years at the latest, Poland and Hungary will be members of the European Community." But they will stay in the Warsaw Pact and the EC will become the economic and cultural driving force for a Europe that does not just look westwards, he reckons. "If Moscow is clever, it will allow this process as a bridge to the West."

It is a development that clearly fascinates a one-time revolutionary war-horse like Mr Cohn-Bendit.

Andrew Fisher

ECONOMY

Results confirm primacy of the 'German model'

WEST Germans are experts at finding black linings in silver clouds. On the economic front, however, the news streaming in this year has been of almost unbroken sunshine.

Gross national product increased by a real 4.6 per cent in the first half year compared with the same period in 1988. Over the year as a whole, GNP is likely to rise by more than 4 per cent. This would be the best performance since 1976. Perhaps even more important, this year is likely to represent the first year since 1979 that West Germany — the most important economy in Europe — has grown at a higher rate than the average of the 24-member OECD.

Bonn's economic revival has coincided with the serious problems facing Mrs Margaret Thatcher's free market economics in the UK. All this has re-imposed — at least, for the moment — the primacy of the "German model" as the most successful brand of economic policy-making in Europe.

Beneath the surface, the problems worrying economic policy-makers in 1987 — labour market inflexibility, sluggish deregulation and state subsidies to industry — have receded, but not gone away.

The Government has brought in deregulation in telecommunications, and this autumn has pushed through a minor one-day-a-week increase in the country's notoriously rigid shopping hours. But it remains to be seen whether this will have any significant macro-economic effect.

One of the dilemmas for the Government is that West Germany's successful reaction to the world-wide investment upsurge since the beginning of last year has distracted attention from some longer-term challenges.

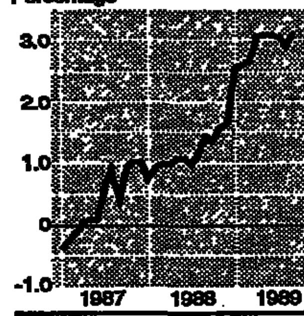
However, any downturn in the world economy next year following a weakening in the US would expose the vulnerability of West Germany's reliance on exports. Exports of goods and services now make up *more than one third of* GNP. This is twice the level of the 1950s, and compares with just over 20 per cent at the end of the 1970s.

Additionally, the further increase in West Germany's current account surplus — to an estimated DM100bn this year — is almost certainly storing up problems on the foreign exchanges. After a long period in which the Deutsche Mark has been relatively weak, the currency markets are bracing themselves now for the D-Mark to show its muscle again.

Renewed D-Mark strength, and a D-Mark revaluation within the European Monetary System, would help the Bundesbank's anti-inflation goal. But it would provide grounds for complaints for exporters, and could even be a factor dampening the economy next year.

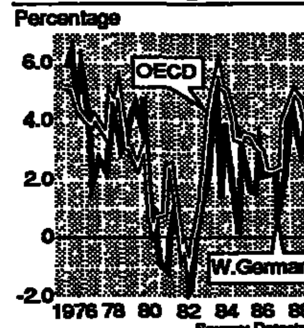
Inflation

Percentage



W.German GNP/ OECD average GDP

Percentage



Source: Datastream

For the moment, however, the outlook is bright. Contrasting with the general caution among the population about the prospects for European political union, businessmen have been profiting from a *burst of Europe-wide* investment driven by preparations for the post-1992 Single Market.

The Government is predicting a further 3 per cent growth in 1990. A total of DM25bn of tax cuts coming into effect in the New Year are likely to add to buoyancy. The tax cuts should ensure that (unlike this year) domestic demand takes over from exports as the main prop to the economy.

Mr Theo Waigel, the Finance Minister, has added to some of the tax reductions already planned by his more cautious predecessor, Mr Gerhard Stoltenberg. One of the reasons for the Bundesbank's credit tightening action this month was to offset the danger that the tax programme would add to overheating in the economy.

Capacity use is at the highest for 18 years. This year's surge in activity, following an already better-than-expected 3.4 per cent growth in 1988, has driven seasonally-adjusted unemployment down to around the 2m level. A drop below 2m seems likely next year. Inflation, currently at 3.1 per cent, appears containable.

But the Bundesbank, worried about the prospects for wage rises next year, is making a bid to dampen expectations that prices could accelerate next year. In particular, positions between unions and employers appear to be hardening ahead of the key I G Metall pay round.

The economic boom, accompanied by a big increase in company profits and investment, has provided the best possible welcome for the wave of immigration from Eastern Europe.

The expected flow of fugitives from East Germany, the Soviet Union and other countries in Eastern Europe seems likely to add around 1m people — or about 1.6 per cent — to the West German population between 1988 and 1990.

Up to now, the emigres have been finding jobs relatively easily. They are also giving the economy an additional boost, from both the supply and the demand-side. However, the newcomers are putting pressure on housing and social security. The continuing inflows from eastern Europe add up to one more reason why Chancellor Helmut Kohl is banking on the upswing continuing next year.

David Marsh

The dilemmas facing the Bundesbank

Conflict of interest likely to impede monetary union

WEST Germany's new economic dynamism is built on solid foundations. This will probably continue in spite of the fall in share prices this month. The economic background is optimistic. But, for the Bundesbank, it brings an inevitable conflict of interest. This has repercussions for the long term goal of European monetary union.

After the mini-recession of 1986 and 1987, the Federal Republic is now in its second upswing after the serious recession in 1982. This trend is likely to extend at least until 1991.

The expansion is not grounded in any demand stimulus; on the contrary, the public sector in 1989 has exerted, if anything, a contractionary influence through tax increases and an only moderate increase in spending.

In the next two years, two stimulatory factors will come to the fore: the cut in income taxes next year of around DM25bn, more than 1 per cent of gross national product; and the inflows of emigres, which within a few years will increase the West German population by around 1.5m. Extra emigre demand will be turned directly into output and jobs.

All this has consequences for the central bank. The Bundesbank switched in autumn 1988 from an expansionary to a neutral monetary policy – one which could possibly soon turn restrictive.

The policy change has lowered inflationary expectations, but has not succeeded decisively in boosting the D-Mark. Since last autumn, long-term interest rates on government bonds have risen by 70 basis points to 7.1 per cent, while short-term rates have risen by 300 basis points to around 8 per cent.

Banks' refinancing costs have risen sharply, as have loan rates faced by companies and the housing sector. The rate of growth of the money supply has fallen substantially. If monetary policy is tightened further, this will produce a slowdown in the real economy.

Because of the liquidity "overhang" from the last few years' of fast monetary growth, the monetary brakes however will not act immediately; the first real effects on demand would probably not be felt until 1991.

According to one line of argument, the Bundesbank is committing a strategic error; after a long phase of growth weakness, the German economy is at last re-attaining a higher growth path. This should not be choked off, so the argument goes, through a monetary tightening. It would also be a mistake to hinder the integration of more than 1m new German citizens. This integration can only succeed in an upswing; a recession would wreak considerable damage to the newcomers' job chances.

It can also be argued that monetary policy should not bear the brunt of efforts to head off "stability risks." Such a strategy may have been correct in the 1970s and in the beginning of the 1980s, but this is no longer the case. Then, it was necessary to bring down inflation – against the resistance of powerful interest groups – from a rate of more than 6 per cent.

Today's challenge is rather to allow the Federal Republic to move on to a higher growth path and, simultaneously, to avoid a new inflationary spiral. *Actually moving to depress* growth would be the wrong way to accomplish this.

This pattern of argument is certainly exaggerated, but it illustrates the risks facing the Bundesbank. The dangers are increased by the fact that the Federal Republic is enjoying not only buoyant domestic expansion, but also strong export demand. These high exports are due above all to the real devaluation of the D-Mark which has now continued over a long period.

The difficulties must be appreciated by Bonn's partners. The way out of the dilemma would be via a revaluation of the D-Mark, which would cut back exports and allow more room for internal demand. An exchange rate realignment would increase German imports. This would aid the balance of payments. A D-Mark revaluation would also cut import prices, thus easing pressures on the Bundesbank.

For the goal of monetary union we need fixed and not flexible exchange rates. Under the present pattern, exchange rates between Bonn and some of its European partners are wrongly valued

It can certainly be understood that the Bonn's trading partners do not want to devalue their currencies, on the grounds that this would increase the risk of imported inflation. But they must ask themselves which would be the better alternative.

Either the Federal Republic revalues, boosting internal demand and increasing imports of Bonn's trading partners' goods. Or else exchange rates remain unchanged, maintaining high export demand and further increasing Germany's trade surplus. Under this course, German interest rates would rise to dampen domestic demand, pulling other European interest rates with them and leading Europe gradually into a recession. Is this what we want with a joint monetary policy?

Of course, for the goal of monetary union we need fixed and not flexible exchange rates. Under the present pattern, however, exchange rates between West Germany and some of its European partners are wrongly valued. The result is that West German companies are enjoying artificial competitive advantages.

West Germany does not want this. The "stability conflict" described above – between exports and domestic demand – is a particular disadvantage. Additionally, West Germany would like to import more in order to use the pressure of foreign goods to dampen down price rises. Under present exchange rates, however, foreign exporters are not sufficiently competitive.

In the context of European monetary union, resolving this problem would be particularly difficult. It would be scarcely *acceptable politically, for* example, to tolerate over-heating in a central region of Europe, with the danger that inflationary impulses would be transmitted to other areas.

Equally, it would make no sense to bring in a high interest rate policy for the whole of Europe to meet the danger of over-heating in one specific area. In such a scenario, central banks would find themselves in a similar position to the US Federal Reserve today.

Expectations of market participants could fluctuate over a period of many months between worries about inflation and fears of recession. This would force central banks to a policy of "fine tuning", blurring the whole course of monetary policy.

The result would be see-saw developments on the financial markets, similar to those recently seen with sterling and on the US stock exchange – hardly an appetising perspective for monetary union.

Ernst-Moritz Lipp

The author is chief economist of the Dresdner Bank

REFUGEES

Voting with their feet

BY THE end of 1989, the flow of German immigrants from East Germany and other east European countries will give West Germany around 500,000 more inhabitants. The inflow is the highest since the Federal Republic was formed in 1949, well above the previous record in 1957, when around 370,000 came in.

About 350,000 newcomers from the Soviet Union, Poland, Czechoslovakia and Romania are expected this year. But attention is concentrated above all on those leaving East Germany of whom 150,000 are expected. Nearly 30 years after the building of the Berlin Wall, East Germany's oldest problem – the efforts of its people to flee the system – is now exercising a direct impact in changing relations and perspectives between the two Germanys.

At first, there was concern in the Federal Republic about additional social and economic burdens associated with the emigration wave, but this has now receded. West Germany's force of attraction has overcome barbed wire and concrete walls. A not inconsiderable part of West Germany's higher-than-expected economic growth rate of 4 per cent this year is due to the impact of the emigres.

The fugitives are young, adaptable and ready to work. They will eventually contribute to stabilising the social security system. In spite of unemployment of 2m, the newcomers find themselves offered jobs in abundance. Eighty per cent of the emigres are estimated to find work six months after they arrive. Their entry contributes to improving the flexibility of the labour market, and boosts the effectiveness of the economy in preparation for the post-1992 Single Market.

In contrast, the exodus has a negative impact on East Germany. The outflow of young skilled workers will have a dampening influence on production. In the service sector, grave difficulties are already coming to the surface.

The most dangerous effect comes in adding to disillusionment among all sections of the East German population. Middle and lower-category members of the party bureaucracy are losing confidence in the leadership. Without this confidence, economic growth is impossible. Many party members now want at last to taste

Westward bound: Refugees at Giessen; tree covered with job advertisements at a refugee camp

the fruits of West German well-being. Additionally, they are worried about their future in a state which is starting to change. The threat facing East Germany is one of a downward spiral.

There is, however, ground for hope among the East German leadership. The political elite in West Germany has only very little idea of how changes can be effected in the Communist German state. Only specialists can detect any differences between the policies towards East Germany followed by the Social Democrat-led coalition, and those put into effect afterwards by the Christian Democrats.

East Germany's refugee problem is now exercising a direct impact in changing relations and perspectives between the two Germanys

The politicians today still praise the pragmatic policy of "small steps" for improving relations between the Germanys, although it is clearly inadequate in dealing with the causes behind the flight of fugitives.

Mr Erich Honecker and most of the East German leadership resisted Hitler. They survived Stalin and Ulbricht. They helped bring international recognition to the German Democratic Republic. Mr Honecker kept his country stable for 18 years. He and the other leaders knew how to hang on to power, a trait no doubt also shared by Mr Egon Krenz, Mr Honecker's successor. But now they also know that there is no Socialist alternative to the present East Germany. Hungary will be for ever Hungary. The German Democratic Republic has an alternative: Germany.

The autumn exodus has brought more pressure to bear on the East German leadership. The people leaving cannot understand why political pluralism and market-oriented reforms in the German Democratic Republic should endanger detente, when both are already being practised in Hungary.

The opposition in the GDR which occupies the attention of the media is basically anti-capitalist. But it is extremely heterogeneous, and is confined almost exclusively to artists, Protestant churchmen and intellectual circles. In contrast, among the workforce across the economy as a whole, socialism enjoys practically no support. The people at large are no longer seeking recipes for socialist success. Rather, they are looking for living standards like those in West Germany.

All this means that pressure for change is building up both internally and externally. Not only the foundations of the East German leadership, but also some of the basic premises of West Germany's policies of detente towards the East, are now starting to be undermined.

Klaus Leciejewski

Dr Leciejewski, a 41-year-old economist born in Magdeburg in East Germany, is a former member of the East German Communist party. Helped by the Bonn government, he emigrated from East to West Germany at the beginning of 1987. He is now a specialist for social and East European policies at the Institut der deutschen Wirtschaft (IdW) in Cologne.

An influx carrying political weight

ALTHOUGH the economic impact of the refugees is hotly debated within West Germany, much less consideration has been given to their possible effect on the country's finely balanced political arithmetic.

Since a shift of only two or three percentage points can make the difference between a Christian Democrat-led and a Social Democrat-led coalition, and as the East Bloc and East German immigrants in the late 1980s have boosted the West German voting population by a similar amount, they could have a big impact on future elections.

It was thanks to the 12m Germans from the East who flooded into the country in the 1950s, that the Christian Democrats ruled West Germany for the first 20 years of its existence, despite initial expectations that the country would have a left-of-centre majority. Chancellor Konrad Adenauer drew the immigrants into the Christian Democrat net although their experience of communism predisposed them to vote for right-wing parties.

The Christian Democrats are again likely to benefit from the present influx. It is the emigres from the Soviet Union, Poland, Czechoslovakia and Romania, who are expected to be conservative in political attitude. Mr Tom Anders of the German Foreign Affairs Research Institute says: "Many come from conservative communities which have been hanging on to a very old-fashioned form of German culture."

The Social Democrats claim not to be worried. "What we have seen in the past is that after an initial period of anti-communist conservatism most German immigrants fit into the voting patterns of their new social groups," says Mr Eddie Heussen, the Social Democrat spokesman.

Although most of the main West German parties have a similar mixture of misgiving and welcome for the new immigrant wave, a recent poll of their supporters' reaction (only to East German immigrants) has thrown up a few surprises.

Some 65 per cent of Free Democrat voters welcomed the East Germans, 55 per cent of Social Democrats, 54 per cent of Christian Democrats, 51 per cent of Greens and only 30 per cent of Republicans. The Republican figure reveals the split between the party's nationalist officials and its working-class voters who fear their compatriots will increase competition for jobs.

David Goodhart

Andrew Fisher on an industrial sector stretched to full capacity

Outpacing the rest of Europe

WEST German industry is booming. Urged on by the pressure of demand for industrial and consumer goods both inside and outside the Federal Republic, its factories are working at full stretch and its order books are swelling.

As the route to the wider post-1992 internal European Community market opens up, European companies have been re-equipping themselves for the new opportunities that they expect in the next decade. In time, this process will present Germany with a stiffer competitive challenge. But for the moment, it is producing more jobs and surging profits.

Against this background, it came as a shock when the German stock market fell so dramatically in mid-October after Wall Street's slide.

'West Germany will continue to benefit from the efforts of companies in the EC to improve their competitiveness and position themselves in the single European market'

But investors were not selling because they foresaw dimmer prospects for the German economy or corporate earnings, though the pace of expansion in 1989 will inevitably tail off. The share sales had more to do with memories of the 1987 crash and the structure of the German equity market.

It was a case when investor psychology got the better of economic fundamentals. For as the Bundesbank, Germany's central bank, said in its September report, economic activity this summer "exhibited every sign of a lasting boom." It described the inflow of orders to the capital goods sector as "a veritable flood."

For the Bundesbank, charged with maintaining monetary stability, the acceleration of business activity was also a source of growing domestic tensions. While prices had not got out of hand – annual inflation is a shade over 3 per cent – the economic boom was not without risks. The report contained a clear message which the Bundesbank translated into action soon afterwards by lifting its key interest rates by a full percentage point.

One factor which the Bundesbank's policy-makers had in the back of their minds was next year's wage negotiations. Another was the final stage of the tax reform package, which will be worth some DM25bn, mostly to private households.

This year, consumer demand has been modest. But, warned the Bundesbank: "Given the widespread capacity bottlenecks at home and abroad, any markedly higher level of consumer demand would in all probability soon give rise to inflationary pressures."

The same could be true of the wage talks, although the Bundesbank did not spell this out. Companies will be under great pressure from the trade unions, especially in engineering where I G Metall has a powerful base, to increase wages in line with higher inflation, as well as to shorten working hours. The union's goal is a 35-hour-week, which most industrialists oppose vigorously.

Clearly, next year's industrial climate will affect companies' performance, with some executives ready for a strike. Mr Marcus Bierich, the chief executive of Robert Bosch, for example, says that the group is ready to cope with industrial action, if it comes.

As the world's biggest supplier of automotive components, Stuttgart-based Bosch is an obvious target for strikes. But concerns like Bosch can afford to reach compromise settlements. If an all-out strike occurs, it will probably stem from resistance by smaller companies to high wage demands.

In 1984, the motor industry was hit by seven weeks of strikes. Since then suppliers like Bosch have been building up their activities outside Germany.

"We don't want to be subject to blackmail," says Mr Bierich, who has taken Bosch into a £100m investment in a new alternator plant in South Wales. It also produces in the US and is developing its Asian interests.

He hopes a strike can be avoided, though I G Metall has been making aggressive noises. Mr Norbert Walter, the chief economist of Deutsche Bank, reckons the 1990 wage round will lead to relatively high increases in nominal wages. But he does not expect industrial production to be held up significantly by strikes.

However, the onset of the 1990 wage round could put a temporary dampener on Germany's investment climate. In real terms, Mr Walter expects spending on machinery and equipment to grow by between 6 per cent and 7 per cent next year after a heady 9.5 per cent in 1989.

While 1991 should see a further decline in the rate to 4.5 per cent, he expects the average pace of investment up to the mid-1990s to be around 7 per cent.

The big stimulus in the early part of the next decade will come from the single European market. "Germany will continue to benefit from the efforts of companies in the EC to improve their competitiveness and position themselves in the single European market," says Mr Walter.

This will benefit Germany's capital goods producers and also give exports a continuing lift. With just over 30 per cent of the economy comprising manufacturing industry, Germany is well placed to supply the equipment needs of foreign and domestic companies.

For mechanical engineering, the results have been dramatic. Concerns like Mannesmann, now looking for more acquisitions, and MAN have reported sharp rises in profits, the common complaint now being that skilled workers are in short supply.

This year, according to VDMA, the industry association, output could grow by up to 8 per cent; more than twice the rate of 1988. Germany is by far the EC's leading machinery producer, accounting for about 40 per cent of its DM400bn turnover, well ahead of the UK, Italy, and France. Every second new machine from Germany is computer-controlled.

But while German industry may seem impregnable, there are plenty of potential problems. Car companies like Volkswagen, Daimler-Benz, and BMW, will face tougher competition as EC markets open up, both from neighbouring producers like Fiat or Renault and from the Japanese, now also starting to enter the luxury segment. In electronics, the struggles of Nixdorf Computer have shown that sudden changes in market trends and competitive conditions can catch even corporate high flyers unawares.

At present, though, most German companies are tending to dwell on the challenges rather than the likely difficulties of the 1990s. Not only will they be operating in a much freer European environment, but they will also have to come to terms with the fast-growing markets of Asia.

The economic and political situation in eastern Europe is changing dramatically, too. So whatever perspective is taken, the outlook for German industry can certainly not be called dull.

PROFILE: ULRICH STEGER

Bugbear of Big Business

PROFESSOR Ulrich Steger, economist turned politician turned business academic, is not universally loved in West Germany. The Left blame him for helping to bring down the first Social Democrat-Green state coalition in Hesse in 1987 and big business – especially the power utilities – remember him as an aggressive Economics Minister in that government.

Now as a professor at the European Business School near Wiesbaden it is part of his job to say unpopular things about German industry and he evidently relishes it. He is, for example, scathing about the lack of clear strategy behind some of the big takeovers of the past few months.

As a professor at the European Business School near Wiesbaden it is part of his job to say unpopular things about German industry and he *evidently relishes it*

"Top managers are like politicians. If they have too much money they tend to use it indiscriminately," he observes. Some are worse than others: "At least Daimler has tried to justify its MBB takeover, but has RWE (the energy utility) told anyone what its diversification strategy is?"

In other respects, however, he is a staunch defender of the German corporatist system against advocates of Anglo-American capitalism. He says the real danger for German industry comes not so much from sloppy diversification but from transferring too much power from the technical experts who still dominate the upper ranks of German management to financial generalists.

"It is partly because the chemical industry is run by chemists and the machine tool industry by engineers that technical quality and professional standards are generally so much higher than in the US," he says.

Despite a few cracks in the wall he does not expect, or desire, a flood of hostile takeovers. The banks and the co-determination system will continue to protect managers from hostile takeovers and shareholder power.

He believes there may be a case for some restraints on the banks – reducing potential conflicts of interest on supervisory boards, for example – but says the recently revived debate about bank power is over-done. "It's a perfectly healthy cyclical debate – an illustration of the countervailing power of politics. But you must remember that it is a purely political phenomenon, you hear very few complaints, even privately, from industrialists," he says.

The debate is, in any case, he adds, not really about the banks but about Deutsche Bank – which he believes is a superbly run organisation. Nevertheless political expectations have been built up and he expects some symbolic legislation possibly even before the next election in 1990.

The 45-year-old professor, who was a Social Democrat member of the Bundestag from 1976 to 1983, says that the real issue facing German industry is how to find or create enough well trained, well-motivated and entrepreneurial staff.

"There is a quiet revolution going on inside German industry. To succeed in today's more flexible economy you cannot run businesses like the Prussian army any more." He says that service industries are in the vanguard of change but even the chemical industry has become far less rigid and hierarchical in recent years.

Ulrich Steger, industry's critic

"People have realised that it is counter-productive to behave like a dictator. All the emphasis is on decentralisation, participation and developing corporate cultures. Ten years ago there were no personnel departments in large companies, now – for better or worse – they all have them."

David Goodhart

WEST GERMANY 6

Haig Simonian on the banks' race to expand foreign networks ahead of the EC's free internal market

Individual approaches to the same goal

NO ONE can accuse West Germany's bankers of slouching this year. Stung by the need to make up for lost ground in their international coverage and to keep pace with one another in new developments at home, hardly a week has gone by without the announcement of some new acquisition abroad or initiative domestically.

Earlier this year, it seemed as if internal German developments would set the tone for German banking in 1989, with a string of innovations in "*Allfinanz*" – wide-ranging financial services under one roof. But recent months have produced so many acquisitions, notably in Europe, that the two trends are running virtually neck and neck.

With 1992 growing ever closer, Germany's biggest banks have been jockeying for position in building up their foreign networks ahead of the European Community's free internal market.

But while Deutsche Bank, Dresdner Bank and Commerzbank, Germany's three biggest banks, have all stressed the need to broaden their European coverage, they have gone about it in very different ways.

Not surprisingly, Deutsche Bank, Germany's biggest and best-capitalised bank, has been the most energetic on the acquisitions front. Striving for wide representation in the retail banking markets of virtually every European Community member state, it has, since April alone, taken majority control of Banco Comercial Transatlantico in Spain and bought a small private bank in Austria. Only the UK and France remain to be filled.

In contrast, Dresdner Bank's approach has been much more selective, as reflected in its purchase of an opening 33 per cent stake in Banque Internationale de Placement (BIP) of France earlier this month.

Rather than trying to break into retail banking, the decision to buy into BIP, which is one of the leaders in the French treasury management and arbitrage market, complements Dresdner Bank's existing strengths in both fields at home.

Meanwhile, when Commerzbank will make its next move depends as much on the Italian government as on its own executives. Its strategy, which is based on taking small stakes in like-minded European institutions, has been becalmed following the last change of government in France, which removed any immediate prospect of acquiring a stake in Credit Lyonnais.

Instead, all eyes have turned to Banco di Roma, the Italian member of the Europartners banking group, with which Commerzbank is associated. Mr Walter Seipp, Commerzbank's chief executive, has made no bones about his interest in buying shares in the Italian bank once the Rome authorities give a clear political signal.

But the desire to expand in Europe has not been limited to the private sector. In early October, Westdeutsche Landesbank (WestLB), Germany's biggest Landesbank and fourth biggest bank overall, astonished the banking community with its deal to buy the European branches of Standard Chartered, the large UK-based international bank, and enter into a merchant banking joint venture.

WestLB's move was as much a bombshell for the public-sector banking community, particularly in view of the fact that it came at a crucial moment in the discussions on re-organising the public-sector banking system.

Various solutions have been proposed to improve the competitiveness of Germany's public-sector banks, which comprise 584 retail savings banks and 11 Landesbanken, which represent them in the wholesale markets.

The latest idea involves the creation of a new "summit" institution into which the Landesbanken would transfer much, if not all, their business. Such a single body would allow considerable economies of scale and allow the Landesbanken to challenge the big private-sector banks much more effectively, it is argued.

Whether that is in fact true remains moot, and the proposal has not gone unopposed. But by teaming up with Standard Chartered, WestLB has unmistakeably signalled that no attempts to restructure the public-sector system will succeed without its approval. Some bankers even suggest that its initiative has made other efforts redundant, with WestLB electing itself to be the most appropriate "summit" bank for the movement in the first place.

Meanwhile, two other recent cross-border deals have shown that bankers are not alone when it comes to preparing for 1992, and that the flow of interest is not always one way.

In October, Allianz, Germany's biggest insurer, agreed to buy 50 per cent of the insurance interests of Compagnie de Navigation Mixte (CNM), the French financial holding company.

The deal, which is costing around FFr 6.5bn, will propel Allianz from around 20th place in the French insurance league well into the top 10.

Only a few months earlier, Groupe Victoire, the big French insurer, stunned its counterparts by buying a majority stake in Colonia, Germany's second biggest insurance group.

With the German insurance market notoriously hard for foreigners to penetrate, the French move gave Victoire a prize position in a company few observers thought was even for sale.

But if foreign developments have taken most of the limelight in recent months, that is not because of lethargy on the domestic front. In particular, the trend towards "*Allfinanz*" has continued apace, with most of the leading players now having prepared their hands.

Deutsche Bank, which in December 1988 announced its long-awaited decision to start selling insurance, has been pushing ahead. Its new life subsidiary, Lebensversicherungs AG der Deutschen Bank, officially opened in early September, accompanied by a heavy advertising campaign that will exacerbate the frictions created by its original decision to break into a business previously largely ignored by the banks.

Meanwhile, Allianz, rather than moving into banking, as some far-fetched pundits once suggested, has opted for a co-operative strategy with Dresdner Bank.

Earlier this year, they signed a cross-marketing pact covering much of central Germany, and the insurer is likely to follow with a further arrangement for north Germany with another bank in due course.

But it is Commerzbank, which was the last to unveal its insurance plans, which may have struck the keenest blow. According to a deal this summer, it is taking a 50 per cent stake in DBV & Partner, a company linked to the huge public-sector DBV group.

Buying into DBV & Partner is an important first step for Commerzbank. But the real prize will only come later, when DBV itself is privatised. Commerzbank has the mandate to lead the transaction, and it will also then take a stake in the parent company, guaranteeing its insurance plans, while leaving active mangement of the business to the experts.

In view of this year's whirl of takeover activity, many bankers are stressing the need for good profits to help finance the deals. Barring unforeseen circumstances on the bourse, the signs are that earnings at a number of banks could reach a record this year.

However, while Germany's biggest banks have spent lavishly this year on putting together the pieces for the 1990s, there are still a few domestic components missing.

Action is still needed on reforming the stock exchanges. Some progress has already been made, albeit rather surreptitiously in the form of Inter Banken Informations System (IBIS), a new share price information system, which will start operating in December.

Once linked up with the new Deutsche Terminbörse, West Germany's new financial futures and options exchange, which is due to open next January, a new era will have dawned for German securities traders.

A little late, perhaps, but the West German market will finally be able to offer comparable products on leading domestic securities to those already available in other top financial centres. All that is missing is for IBIS to evolve into a full-scale trading system and the upheaval will be complete.

Deutsche Bank: heavy buyer

PROFILE: HANS PETER LINSS

Arabist behind the pukka facade

WITH HIS acute gaze and wiry frame, Mr Hans Peter Linss, the chief executive of Bayerische Landesbank, West Germany's second-biggest public-sector financial institution and its sixth largest bank overall, could easily pass for a Levantine merchant rather than a pukka German executive.

But the resemblance may not be so surprising. For the 61-year-old Mr Linss, who took over the top job at the Munich-based Landesbank in March 1988, spent a large part of his early career working in the Middle East.

Though he returns infrequently now, Mr Linss, a gifted Arabist who originally wanted to become an academic, retains a love of the region, untrammeled by the political upheavals which have taken place since he left.

That passion began in 1956, three years after he had been "discovered" by one of Deutsche Bank's managing board members as a Turkish and Arabic speaker. Such gifts made the young Mr Linss somewhat exotic compared with his fellow trainees at the bank's Dortmund branch, and accounted for his subsequent secondment to Arab Bank, the respected Palestinian institution based in Jordan. There followed 18 months of training that took him virtually all around the Arab world.

"At last I had the chance to put to use all the things I'd learned," he says, uttering a variety of guttural Arabic sounds to illustrate just some of the regional differences in what most laymen mistakenly think is a uniform language.

Fieldwork over, his return to Deutsche Bank headquarters was to be brief. For in 1958, Mr Linss became the bank's first representative in Cairo, his home for the next seven years. The period also saw the start of a acquaintanceship with the Alexandria-born Mr Helmut Haeusgen, now honorary chairman of Dresdner Bank's supervisory board, who was representing his bank in the Egyptian capital at the same time.

Hans Peter Linss: originally wanted to be an academic

How was it for a young German, barely a decade after the end of the Second World War, to be in a foreign land where the British influence remained strong? "The Egyptians are like the people from Cologne," says the Rhineland-born Mr Linss. "They have the ability to laugh at themselves."

Those were the days when Beirut still had the charm of a small Mediterranean town rather than a charred wreck, and the atmosphere, on the surface at least, was almost invariably polite and friendly. And being a German caused few problems at a time when the Egyptians and Iraqis felt let down by their former British allies and mentors.

If returning to a drab and crime-ridden Frankfurt, populated by US GIs and authority-taunting students, was a shock, shifting to Bayerische Landesbank as a deputy board member in 1974 probably came a close second.

Germany's biggest Landesbanken are today worthy competitors to the powerful private-sector banks. But, back in the early 1970s, Mr Linss still recalls that his "department" had just two employees. In those days, Westdeutsche Landesbank, the Düsseldorf-based institution which is still Germany's biggest public-sector bank, did most of the foreign business, with the other Landesbanken struggling to catch up.

Surprisingly, perhaps, for those who see the Landesbanken as overstaffed and bureaucratic, Mr Linss says he enjoyed a freedom of action that was lacking at Deutsche Bank in Frankfurt, where the emphasis at the time was still on developing international business jointly with other banks. "The time was not ripe for bold moves abroad," he says.

Mr Linss would probably have been happy to supervise the growth of the Landesbank's international business, had it not been for the complex financial imbroglio which resulted in the resignation of Mr Ludwig Huber, its then chief executive, last year. "I never pushed for the succession," he says, maintaining that he did not expect to be offered the chief executive's post.

Having come his way, Mr Linss has been spending his time developing the bank's potential. But the time when Landesbanken needed "to prove themselves" is over, he says. "The big Landesbanken have already shown themselves to be emancipated."

Nevertheless, Mr Linss is among the first to recognise that some structural problems continue to hinder their progress. The fact that Landesbanken have no branches, having instead to rely on the wholesale markets for their funding, puts them at a disadvantage to private-sector banks. And with the flattening of the yield curve, profits from maturity transformation – the Landesbanken's main business – have come under increasing pressure at a time when all big Landesbanken have been investing heavily in foreign expansion, staff and expensive new computer systems.

The effect on earnings has been marked. Partial operating profits at Bayerische Landesbank fell by 6.4 per cent to DM491m in 1988, and look set to drop a further 5 per cent to 7 per cent this year.

However, a swift solution is not in sight. While some public-sector bankers have pressed for Landesbank mergers to cut costs and improve efficiency, Mr Linss reckons the answer lies more with the savings banks. "There's a general need to motivate savings bankers," he says. "The problem is that they're not marketing hard enough."

Unfortunately, as Mr Linss himself well knows, many on the savings bank side, seeing declining profits and rising charges, are looking to the Landesbanken for scapegoats.

Mr Linss's dream would be to buy a 200 branch retail bank, with around DM60bn in assets, to balance his bank's refinancing side. But, unless something changes very radically in the shape of German retail banking, such ambitions will have to remain in the realm of fantasy.

Haig Simonian

ENERGY

Big three utilities start to escape their roots

THE WEST German energy sector used to be a dull place to do business. No more; it is now the site of a quite bewildering blur of corporate and political activity.

There are several forces responsible for this unusual excitement: the diversification drive of the leading utilities; the slow death of the nuclear reprocessing industry; the simultaneous political demands for cheaper electricity and for new incentives to save energy; and finally the looming prospect of the European Community's open energy market.

Most of them are intertwined. For example: the acquisitions by the big three utilities — Veba, RWE, and Viag — has been given added financial impetus by the decision not to complete the Wackersdorf nuclear waste reprocessing plant, thus further swelling cash flow in the medium-term.

And it has been given added political/strategic impetus by the fear that the basic business of selling as much electricity as possible to households and companies, with the protection of a local monopoly, will become not so much a slow-growth sector but a reverse-growth sector in the face of energy saving regulations and European competition.

All of this has turned the spotlight on the rather secretive "big three" utilities as never before. None of them are pure utilities. Indeed, following its recent acquisition of trading house Kloeckner & Co, Viag is left with less than 20 per cent of its sales in energy with just over half in Germany's largest aluminium plant and the rest in chemicals and paper.

Veba, whose management is the most admired of the three, has less than one-third of sales in energy (including the highest proportion of nuclear plants) with the rest coming from chemicals, trade and transport, and now — following the recent acquisition of a controlling stake in Feldmühle Nobel — the paper industry too.

RWE, whose biggest recent acquisition was Deutsche Texaco, is the purest utility with energy accounting for about two-thirds of sales and most of the rest in chemicals and construction.

The diversification strategy of all three — driven by a slow decline in electricity demand — has had some logic. Veba and RWE have spread into several different energy markets and then, like Viag, into industries they know well because of high energy consumption — such as aluminium, chemicals and paper.

However, there are three fundamental criticisms of the strategies. First, from Professor Ulrich Steger, of the European Business School, who says that it is a law of business that in low competition sectors — such as electricity supply — you tend to get lower quality management. "Why should the management inside RWE, who are more like civil servants than managers, be any good at managing chemical companies?" he asks.

Second, from Mr Nicolaus Weickart, the Frankfurt business lawyer, who complains that it is not sound risk-management for the companies to be using the reserves they have set aside for decommissioning nuclear power stations, or other such long-term liabilities, for buying companies.

Third, and most political, Count Albrecht Matuschka, the Munich-based financier, complains that the real problem is that these companies are not spending their cash on becoming more environmentally sound suppliers of electricity. He believes that the priority of restructuring the energy market towards energy saving will require a significant investment effort in all industrial countries over the next decade.

Currently such criticisms just bounce of the sides of the big three, which are at the peak of their financial and political power. Their cash flow is bulging not just because of Wackersdorf but because they have been spending much less on new electricity supply capacity and on pollution control systems. Meanwhile their local supply monopolies continue to provide them with cost-plus contracts.

The sector is the focus of a bewildering blur of corporate and political activity

Their political muscle was displayed earlier this year when Veba boss Mr Rudolf von Bennigsen-Foerder bounced an embarrassed Chancellor Helmut Kohl into a new national policy for nuclear reprocessing by announcing that Veba was pulling out of the Wackersdorf project.

He led the utilities into negotiations over reprocessing with Cogema of France, and BNFL of Britain, both of which have been quoting prices one-third of those at Wackersdorf. However, recently the Cogema price has been shifting upwards and there is also some doubt as to whether the current safety standards at Cogema and BNFL can satisfy the stringent requirements laid down for reprocessing in the licences of most West German nuclear power plants.

Many observers believe that the withdrawal from Wackersdorf is just the first step towards a complete withdrawal from reprocessing. Although that would be mainly because of cost rather than political pressure, it may also mark the beginning of the end of the utilities' golden age.

They have already partially adapted to popular anti-nuclear sentiment by accepting the closure of many expensive nuclear projects and have implicitly accepted that the current 40 per cent share of nuclear power in electricity generation will slip back substantially by the end of the next decade.

(The political demand for a complete withdrawal from nuclear power, from the Greens and the Social Democrats, has not been withdrawn but thanks to the "greenhouse" effect has taken a lower priority.)

The threats of the future may be less easily negotiable. Takeover rumours, particularly focused on Viag, are unlikely to become reality. Although the utilities are classic examples of undervalued German stocks, and thus tempting to financial engineers, their ownership structure is an effective poison pill and politics will save them if necessary.

Politics will also, however, force them to change — at least as utilities — quite radically. The energy saving priority has already prompted Mr Klaus Toepfer, Environment Minister, to change the tariff structure for households and small businesses to discourage energy consumption (and to encourage the use of alternative energy). Such interference will probably spread to the utilities industrial contracts.

Local authorities are also increasingly showing an interest in generating more of their own heat and electricity, and some states are toying with the "least-cost planning" ideas popular in California which forces utilities to build energy saving into their plans.

Longer-term the utilities could face an alliance between the business lobby, pressing for lower prices and "common carrier" competition from the EC, and the energy-saving politicians seeking to create more diversity of supply. Mr von Bennigsen Foerder has already seen the signs and has been cultivating some of the Social Democrat-run states, where the utilities will face their toughest challenge, with money for energy-saving projects.

The changes ahead will nevertheless leave the utility functions of the big three conglomerates even more regulated, and probably poorer, than before. That may justify their hectic diversification but with the possible exception of Viag — which is least dependent on energy supply and has the highest proportion of hydro-electricity — they will not easily escape their roots.

Expensive German coal, for example, which currently generates half of all electricity, and is the cause of Germany's relatively high electricity prices, will face escalating rationalisation pressures once the EC clamps down on energy subsidies. And who owns the German coal industry? Veba.

David Goodhart

VIAG

Takeover target

MR WERNER Lamby, chairman of the management board of Viag, the smallest of Germany's "big three" utilities ought to have plenty to smile about compared with his two big brothers RWE and Veba. Following the takeover of giant trading house Kloeckner & Co less than 20 per cent of Viag's roughly DM17bn in sales will this year come from the low-growth energy and electricity supply sector.

And within the energy sector Viag is blessed with a higher proportion of relatively environment-friendly hydro-power (26 per cent) and gas than the other two utilities. So in spite of quite a lot of nuclear power, too, it is already being tipped as a "green" stock of the future.

But for the past few months Mr Lamby has been distracted. His company has been the centre of intense speculation about a possible break-up bid. Such things do not happen, yet, in Germany. But in some respects Viag, and the other utilities, are perfect targets.

In stock market terms Viag is undervalued even by German standards, and — again like the other utilities — it is really only a holding company owning a host of stakes in other companies which together are worth more than Viag itself. One estimate, prior to the Kloeckner deal, put its "real" value at close to DM7bn compared with a market capitalisation of DM3bn.

Mr Lamby says he wants a 5 per cent stake declaration level to be introduced to increase transparency and reduce uncertainty for managers sitting on such tempting assets. But he almost certainly protests too much. For through its own thicket of stakes and cross-holdings it is virtually impregnable, indeed some analysts complain that Viag effectively owns itself.

Most publicly, it has decided to share ownership of Kloeckner & Co with its sister company Bayernwerk (half-owned by the Bavarian government), and in the process Bayernwerk has increased its stake in Viag to 24.9 per cent while itself remaining 39 per cent owned by Viag. Contigas, which is jointly owned by Viag and Bayernwerk, owns another 14.9 per cent of Viag.

Some Frankfurt analysts complain that Viag started buying itself — through Bayernwerk — soon after it was privatised last year, thus partly undermining the point of the privatisation. Mr Lamby denies that, and also rejects the charge that the company is mis-using its enormous provisions (mainly for the de-commissioning of nuclear power stations) by using the cash to buy other companies.

"What should we do, just leave the money in the bank? Of course one should not take excessive risks, but we have been buying into sectors we know well," he says.

Non-energy sectors have longed formed a majority of Viag's sales and the plan is that as Bayernwerk's cash-generation powers start to run down the other sectors — aluminium, chemicals, paper (through Bayernwerk) and trading — will produce the growth. Viag is Germany's biggest aluminium producer and prior to the Kloeckner deal it accounted for more than half of the company's DM9.5bn sales (1988). There should be some synergy benefits from Kloeckner's extensive aluminium trading operations. Aluminium is also a "green" metal, being light and recyclable.

Nuclear protest: the big three utilities have withdrawn from Wackersdorf and have also responded to anti-nuclear sentiment by accepting the closure of many nuclear projects

But Germany's electricity tariff structure makes it impossible for Viag to provide cheap energy to its energy intensive aluminium, chemicals, and paper interests. In spite of the possible 10 per cent cut next year, electricity prices remain high by international standards, especially in northern Germany.

"For energy intensive industries the future lies outside Europe," says Mr Lamby, an interesting statement from a company which is still classified as a European utility. So most of the foreign acquisitions, which Mr Lamby says will be coming, will presumably be outside Europe too.

Why was Viag, a company with only one year's experience in the private sector, allowed to take over Kloeckner & Co — which many believe should have been floated? Mr Lamby, a former Bonn Finance Ministry official himself, believes the question is misconceived as Viag "behaved like a private sector company even in the public sector." There have been no significant management changes since the privatisation; he is the only senior manager with a non-industrial background.

Referring to the rumours that British Steel had a strong interest in Kloeckner, he adds: "Deutsche Bank (Kloeckner's temporary owner) did not decide against British Steel in particular but rather it decided against selling to another steel concern."

Oddly for someone who appears to have done his best to make his company impregnable, Mr Lamby believes that the "raiders" will eventually come to Germany and "that they may even do some good." Thanks to some understanding shareholders at Viag they will be doing good somewhere else.

David Goodhart

Andrew Fisher on the heavy demand for new residential and commercial buildings

Upsurge on course to reach new heights

WEST Germany's tallest building, the MesseTurm, is a Frankfurt skyscraper that is still some way from being finished. Towering above the city's trade fair site, it will be Europe's tallest office structure, with 55 stories. Already, its walls are clad partially in red granite, and its concrete top points skyward, awaiting its shimmering pyramid of glass.

The MesseTurm is one of the most obvious signs of Germany's surging construction industry. When completed, it will make the city's skyline look even more transatlantic. Designed by Mr Helmut Jahn, the controversial German-American architect, the building will contrast with some of the uglier edifices of the 1970s. For unlike any other German city, Frankfurt is dominated by skyscrapers. The country's tallest office building is Dresdner Bank's headquarters in Frankfurt, though the twin glass towers of Deutsche Bank are more attractive.

Construction is one of the main forces behind Germany's impressive economic growth. The mild winters of the past two years have helped, of course, as have low interest rates

With more money in corporate coffers, investors in new buildings are able to pay greater attention to aesthetics. More skyscrapers are planned for Frankfurt, though several are the subject of intense public and political debate. For Germany's banking and financial capital, such buildings have become the city's architectural trademark.

Other towns and cities may be more sceptical about building high, but there is no doubt that the building sector is enjoying boom conditions throughout the country.

Last year, Germany's construction output rose by 6.6 per cent (4.5 per cent in real terms) to DM266bn ($140bn), the highest rate of expansion for nine years. For 1989, similar growth is forecast. Munich's IFO economic research institute has forecast that the volume of building required in the Federal Republic up to 2000 would be around DM3,700bn at 1987 prices. This would mean some DM286bn a year, a welcome boost for an industry that has also had some rough times in recent years.

Construction is one of the main forces behind Germany's impressive economic growth. The mild winters of the past two years have helped, of course, as have low interest rates.

But it is sheer volume of demand for office, factory, and living space that has powered the spate of new building activity. As foreign, especially European, demand for German capital and consumer goods has increased, manufacturers have sought to expand capacity by adding to or modernising plant.

The economic impetus is also reflected in growing demand for new office space. In Frankfurt's Westend, where offices and residential accommodation are mixed in together, construction activity is constant. The mechanical diggers have begun scooping out a big hole next to the Financial Times office to prepare for the building that will replace the one demolished this summer.

With the influx of immigrants from eastern Europe, demand for homes is bound to increase. The fact that West Germany's population is not declining as fast as earlier supposed will add to pressure on housing.

In 1988, only 208,000 homes were completed, the fewest in the Federal Republic's 40 years of existence. But the trend is turning, though too slowly for many in the housing queues. Next year, helped by more Government funding, completions should total some 300,000.

In Frankfurt, the coalition between the Social Democrats and the Greens is keen to assure a steady supply of both new housing and offices. Thus builders of new skyscrapers are encouraged to provide homes as well. Since those who work in offices also need somewhere to live, Mr Volker Hauff, Frankfurt's new mayor, reckons investors will find it in their own interest to provide this balance.

For construction companies like Philipp Holzmann and Hochtief, the industry's swelling order inflow is leading to sharp rises in earnings. Barclays de Zoete Wedd, the UK stockbroker, reckons housing and industrial demand will keep builders active.

"We expect construction to remain one of the most buoyant sectors in the economy, at least until the end of next year."

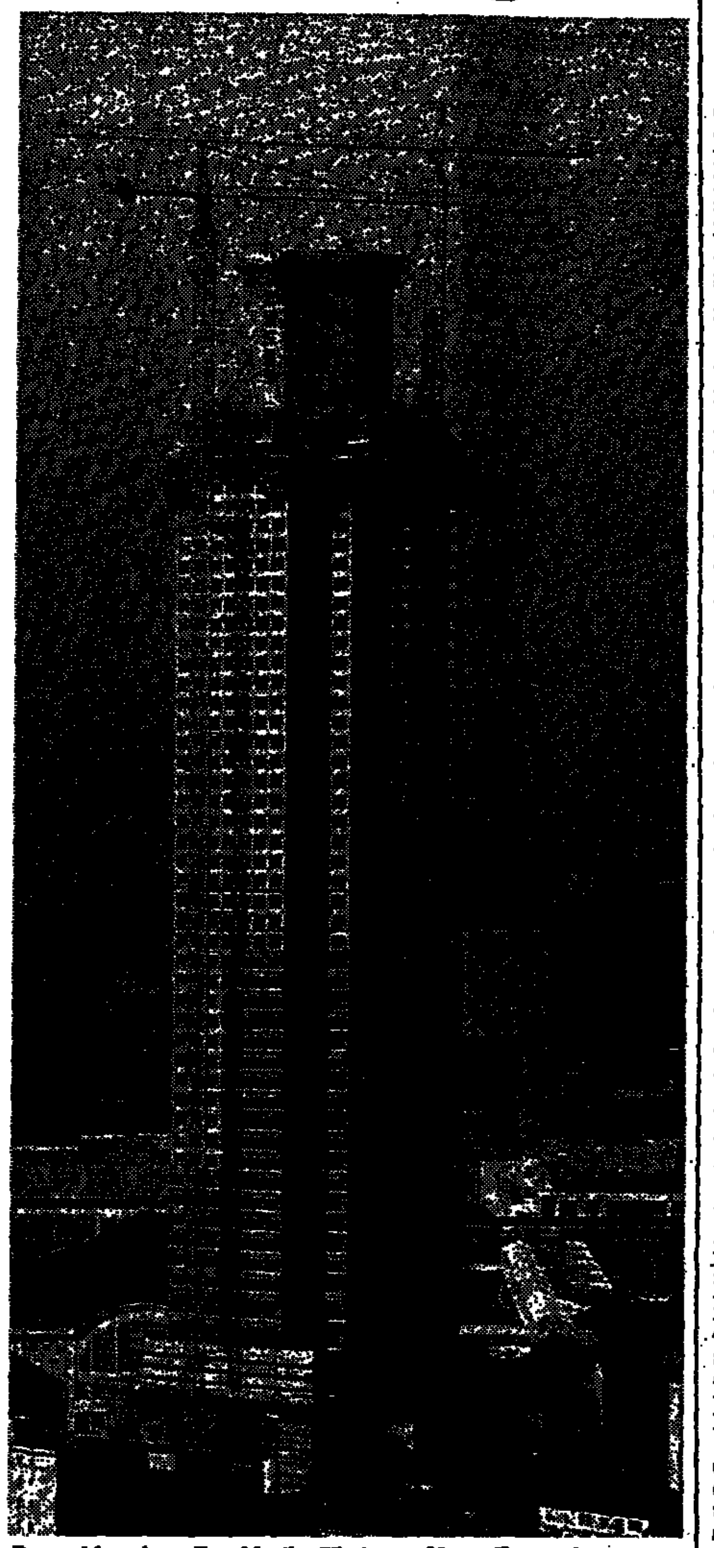
The quality of profits should also improve for two reasons: concentration on more specialised activities, like environmental technology, with higher margins; and greater involvement in the expanding regions of Europe and south-east Asia and less in the problematic Middle Eastern and Opec markets.

Until last year, notes BZW, "the construction industry was characterised by over capacity, payment problems from overseas markets, and declining business volumes." In the 1980s, it has lost about a quarter of its workforce, now employing roughly 930,000 people.

There are still enough new roads, hospitals, railways and schools needed to ensure steady work through the next decade. It is not only skyscrapers that sustain the industry

Its share of Gross National Product is around 13 per cent compared with 16 per cent in 1980. The industry suffered from the effects of the oil crisis on the Opec countries and has since been more cautious, shifting its geographic emphasis and relying more on joint ventures abroad.

As domestic activity increases, the industry can draw on the flood of East German refugees to fill its skilled labour shortages. Even if private demand tails off, there are still enough new roads, schools, hospitals, and railways needed to ensure steady work through the next decade. It is not only skyscrapers that keep the construction industry going.



Record-breaker: Frankfurt's 55-storey MesseTurm skyscraper, which when completed will be Europe's tallest office structure

David Goodhart examines labour relations

Co-determination a key way to shop-floor peace

OF THE various worker consultation systems being proposed by the European Community, as part of the new European company law, the least popular among employers will certainly be the German system of co-determination. Since it is the system which gives workers the most power that is hardly surprising.

However, since it is also the system used by Europe's most successful economy and, after initial opposition, is positively supported – in private as well as public – by almost all big German employers, it is worth considering whether it is really the impediment to good management which some fear.

German industrial relations law has established two key institutions which practice co-determination or joint decision-making: first, the works council, which can be established in any company with more than five people, and which has various veto and consultation rights at the individual workplace; second, supervisory board co-determination, which, in companies of more than 2,000, guarantees 50 per cent of seats on the overseeing supervisory board to employee representatives.

Works councils are elected by the whole workforce – union and non-union – but are usually dominated by union activists who in larger companies work full-time for the council. The councils have consultation rights covering almost everything and full veto power over the introduction of overtime or short-time working, methods of payment, holiday arrangements, and some aspects of hiring.

A council cannot stop dismissals. But in the case of an individual it can represent him/her at a labour court and in the case of a factory closure can negotiate a "social plan" of special redundancy payments; disagreements over social plans are also referred to labour courts.

In larger companies workers can also, theoretically, influence the business strategy of the company through their seats on the supervisory board, which has to approve all important decisions of the management board. They can always be out-voted, as the chairman, a shareholder representative, has the casting vote, but most supervisory boards try to work by consensus. At the very least seats on the supervisory board give workers access to crucial information about a company's plans.

It is not surprising that German employers have had their doubts about giving so much potential obstructive power to employees, and it is noticeable that they do not carry the system with them abroad. But inside Germany's consensus-based post-war culture, into which organised labour has been carefully integrated, the system works.

After nearly 15 years of supervisory board co-determination (works councils have existed in bigger companies since the 1950s) employers are far more likely to describe its positive effects on motivation and productivity than its drawbacks, although they often complain about the inadequate contributions of union representatives.

One reason for senior management acceptance of supervisory board co-determination is that it helps to protect them, from hostile takeovers and shareholders. Another is that they have learnt to by-pass it. Professor Helmut Sihler, head of the Chemical Industry Association, says that most employers positively support co-determination with works councils at plant level but have done their best to get round it on supervisory boards.

"The system has changed the nature of the supervisory board. If a company wants to close a factory it does not take it to the supervisory board until it has all been agreed; the supervisory board has thus become a rubber stamp," he says.

Some unionists have noticed this too. Mr Lorenz Schwegler, head of the banking and insurance union, who sits on many supervisory boards including that of Deutsche Bank, recently said that he could serve his union better during the time wasted in quarterly supervisory board meetings.

He bemoaned the fact that supervisory boards have failed to spot most of the notable mistakes or misdemeanours of corporations over recent years, and also complained about the sharp division of labour on the boards with union representatives concerning themselves only with jobs and bankers with money. But the main drawback, he said, was that the management boards hold all the key cards, and usually close to their chests.

I G Metall, Germany's biggest union, recently complained in similar vein that merger talks between steel giants Krupp and Salzgitter, which in the end were called off, had been taking place for weeks with no union representative on either supervisory board knowing about them.

Unlike Mr Schwegler, who questions the usefulness of supervisory board co-determination altogether, I G Metall and the German Trade Union Federation want it strengthened through adopting the tougher version of co-determination, which has been practised in the coal, iron and steel industries since 1951.

Under that version co-determination applies at 1,000 employees rather than 2,000 and there is no casting vote for shareholders. Rather there is a neutral extra board member whose selection has to be agreed by both sides. Also there is no need to include one representative of senior management on the employee side as is the case in the weaker version.

One curiosity of the tougher version is that it seems to be impossible to escape from even when a company no longer produces coal, iron or steel. Mannesmann, the Ruhr-based heavy industrial conglomerate, which led the diversification away from steel, and now produces none for the open market, still has to use the tougher version of co-determination.

A shareholder group has taken the Mannesmann case to court but a decision is not expected for several years. The company would not be displeased if it was able to adopt the weaker system but it is a measure of German consensus-thinking, and the ability of managers to adapt to the system, that Mannesmann did not instigate the court action itself.

The Green debate is hot but at least people are talking the same language, writes **David Goodhart**

Energy saving strategies rise to the fore

COUNT Albrecht Matuschka, the Munich-based financier and one-man think-tank, believes there is a clear connection between the growing international significance of environmental protection and West Germany's rising political self-confidence.

"Our deeply-rooted conservatism alerted us to the problems of environmental destruction before many other countries, so for the first time since the Second World War we have found something to feel morally superior about," says the Count, a leading conservative Green.

However, the Count, like many more radical Greens, believes environmental rhetoric has outstripped reality in Germany. Voters, he says, are "way ahead" of the politicians on environmental issues and are prepared to put their money where their mouths are to a much greater extent than supposed.

It is true that German expenditure on the environment has remained constant as a proportion of gross national product for more than 15 years but the country can still boast a disproportionately high 13 per cent of world expenditure, one of the most developed legal frameworks for environmental control, and one of the most sophisticated public debates about the environment in the world.

Through the 1970s and early 1980s the agenda was dominated by the debate over acid rain and the destruction of the German forests (more than 50 per cent of which are now said to be damaged). The response was to legally control the sulphur and nitrogen emissions — from vehicles, factories and power plants — which cause it.

At the end of the 1980s the environmental debate in Germany, as in the rest of the world, has shifted to the "Greenhouse effect" caused by carbon emissions. As no technical way has been found of reducing those emissions, energy saving — to be encouraged more by market signals than legal controls — is the new environmental priority from the ruling Christian Democrats to the Green Party.

The Greens say Bonn's apparently developed controls merely reflect its high concentration of polluting industry

Energy saving strategies will be an important feature of next year's general election. Indeed the argument has already begun following the publication of the Social Democrat's first draft of their programme for government. Central to that programme is an environmental "re-construction" of the economy including an additional DM30bn in taxes on energy consumption.

That has been attacked by Mr Klaus Toepfer, the Christian Democrat Environment Minister, as having more to do with raising money to pay for social goals than with environmental politics. However his own alternative of a carbon duty was rejected by the Christian Democrat party conference.

Opinion is also divided over the effectiveness of the existing legal framework and the source of restraint on more thorough-going reform. Green critics say that Japan was first with power plant emission controls and that the US has been ahead of Germany on both car emissions and banning ozone-layer destroying CFCs.

They also say that Germany's apparently developed controls merely reflect its high concentration of polluting industry, which causes damage totalling more than DM100bn a year, according to a research unit of the Environment Ministry.

Professor Martin Jaenicke, a Green-supporting academic at the Free University of Berlin, says that Germany comes in the second rank in most international comparisons, along with the US and a few other European Community countries, after first-ranked Japan, Sweden and Switzerland.

Reviewing the main areas of legal control in Germany — air, water, waste and chemical industry — he says that the emission control law is a good one but let down by lenient application. Water quality, where Germany has been sharply criticised by the EC, is held back by the local authorities' lack of funds. And in waste and chemicals the laws are simply too weak.

Air is one of the few fields where there is clear data on the effects of the laws. The emission control law, introduced in the early 1970s but subsequently tightened several times, has reduced sulphur emissions from 2.9m kilotonnes per year in 1982 to 2.2m by 1986. However, in spite of legal controls nitrogen emissions have continued to increase from 2.8m tonnes in 1982 to 3m in 1986.

One reason for the rise in nitrogen emissions, more than half of which are caused by motor transport, is the increasing number of cars on the road. Germans may be famous for their catalytic converters and the lead-free petrol which they require but last year only 3.2m out of 29m private cars were fitted with the converters, which cut nitrogen emissions by 90 per cent.

Nearly 70 per cent of new cars now come with converters and after a battle with the EC the Government will next year offer tax breaks of DM1,100 for both big and small cars which attach the converters. At the beginning of 1993 they become compulsory on new cars throughout the EC.

Officials at the Environment Ministry can fairly claim to be in the environmental vanguard within the EC — alongside Holland and Denmark — and on matters such as converters or mandatory deposits on plastic bottles they have been leading the fight to exclude environmental measures from the list of non-tariff barriers being removed as a precondition for the Single Market.

However, Bonn's attempts to blame Brussels for almost all restraints on tougher environmental controls should be taken with a pinch of salt. In the case of water and waste — which will need DM170bn of investment over the next 15 years according to the Institute of German Economy — it is Germany's own decentralised political system which must bear the blame.

Despite a new national waste law making it easier for states to over-rule local objectors the urgent goal of building a further eight high-temperature waste treatment plants is still moving slowly as individual state governments agonise over where to locate the plants (Critics also claim that the recycling of household waste is far less than the 20 per cent claimed by the Environment Ministry.)

In other areas vested interests have also slowed progress.

'Voters are way ahead of the politicians on environmental issues and are prepared to put their money where their mouths are'

The chemical industry is quite Green by international standards and spends about DM1bn a year on environmental protection, but has succeeded in limiting controls on CFCs to a voluntary phase-out which many observers fear will be ineffective.

Also, Chancellor Helmut Kohl's pledge to introduce a Nature Protection Law to stop farmers poisoning the land with chemicals has run into trouble because the Finance Ministry is reluctant to compensate farmers for the extra cost of responsible agriculture.

Alongside this mixed picture is one optimistic development: a growing intellectual consensus about the nature of the problems and the means to address them. The environmental debate is no less passionate than it used to be, and in some fields such as gene technology, remains highly emotional. But in general the participants are now speaking the same language.

The main reason is that a large part of the Green Party — which can still command up to 10 per cent of the national vote in spite of the thorough "Greening" of the other main parties — has accepted the need to harness the market system and technological innovation to the environmental cause. Leading Greens talk about stimulating the "environment industry" which is already said to employ about 450,000 people and produce sales of DM21bn a year.

It is also now that Green-sympathisers such as Professor Jaenicke who stress the neglected "third force" of voluntary pressure alongside state control and market incentives. He cites the success of Green retailers such as Asko and Tenglemann and the rapid increase in products seeking the "Blue Angel" mark of environmental soundness from 300 in 1982 to 2,650 last year.

A useful "voluntary" contribution could soon be forthcoming from Finance Minister Mr Theo Waigel who said he was considering donating the DM2bn-plus expected from the sale of the state-owned Salzgitter company to environmental research.

Alan Harper

Hamburg town hall with the city's cathedral in the background

GENE TECHNOLOGY

Protest lobby gains the upper hand

THE STRENGTH of the economy plus the success of the Government's health reform law in halting the rise of at least one part of employers' non-wage labour cost has temporarily muffled the anguished debate over the failings of *"standort Deutschland"*, Germany as an industrial base.

That debate is certain to return as a high-pitched accompaniment to the important wage round early next year. In one sector, however, gene technology, the debate has been heating up not cooling down over the past 12 months.

Senior figures in the German chemical industry, Europe's biggest, now warn that the sector is likely to miss out on growth for the next century thanks to the susceptibility of German legislators to the emotional arguments of gene technology's opponents.

This is no idle threat. The big three chemical companies — Hoechst, Bayer and BASF — are already shifting most of their important work to the US and Japan. BASF plans to site its main research laboratory in Boston and Bayer has just announced another DM100m of investment to double the capacity of its Connecticut laboratory.

According to OECD figures there are 388 plants in the US, 105 in Japan and only 17 in Germany which are conducting bio-technological research. There are currently four completed plants in Germany which have not yet been allowed to start operation, most famously Hoechst's insulin plant near Frankfurt.

The chemical industry could be severely hit if legislators give in to the powerful emotional arguments of gene technology's opponents

Whether gene technology has any future at all in Germany will depend on the industry's reaction to the fine print of a new law to regulate it, which is likely to be passed next year.

Professor Helmut Sihler, President of the Chemical Industry Association, says that despite the contribution of gene technology to an increasing number of life-saving and pain-killing medicines the environmental movement has contributed to a deep-seated mistrust of science which is now calling into question all scientific innovation.

"We are likely to be faced with a serious brain-drain in gene technology, the best people will not want to work under German conditions," he says.

The chemical association has at least welcomed the Government's attempt to rationalise the various regional and national laws which effect genetic research by creating a single new national law.

The draft law, first presented in July, attempted to undo some of the damage to the industry created by an earlier law, which came into effect last year, requiring long public hearings on any application for a genetic engineering licence.

The chemical industry said it could live with the new law as originally drafted; the legislation limited the scope of public hearings and made them superfluous for products in the first two categories of the Berlin-based Central Commission for Biological Safety's semi-official list.

However, industry was virtually alone in its support for the new law. The Bundesrat, the Upper House of the Bonn Bundestag, where the 11 federal states are represented, tabled 254 amendments to the draft law — more amendments than ever before in the Bundesrat's 40-year history.

The fears may be over-done, but Germany will certainly end up with the stiffest law of any leading pharmaceutical producing country

After several weeks of negotiation it looks as if a compromise has been reached between the Government and the Bundesrat. Mr Heinrich Seesing, the Christian Democrat spokesman on genetic engineering, says that with very few exceptions the Bundesrat's changes have been accepted. The draft proposals are expected back in the Bundestag in December and should be law early next year.

How has the Bundestag changed the draft law? Essentially it has again increased the scope and power of public hearings and limited to only the first level of the Commission's product list the ability to by-pass public hearings altogether.

The industry now fears that for even quite harmless products to receive manufacturing permission companies will have to drag through expensive hearings which could delay production by up to five years.

Those fears may be over-done, but Germany will certainly end up with the stiffest law of any leading pharmaceutical producing country. The chemical industry and the Government will do their best to limit the anti-competitive effect of that law, at least in Europe, by trying to push up the EC's safety standards. The British and French seem determined to resist.

David Goodhart

David Goodhart on the six-month old government in West Berlin, touted as a crucial sign-post for the national elections in 1990

Red-Green coalition slow to show its radical colours

THE YOUNG American brushed past the important businessmen and grabbed Mr Walter Momper, West Berlin's mayor, by the hand. "Mr Momper, I just want to tell you how popular you are with the US military, people say you're the best mayor since Mr Willy Brandt," he declared before melting back into the crowd at a recent reception in Berlin.

The bald, unflappable, Mr Momper, who has risen from nowhere to become the key political asset of the controversial "Red-Green" coalition government in West Berlin, looked embarrassed but pleased.

His appearance – solid and down to earth – has been a usefully reassuring symbol for a radical government which slipped into power by accident more than six months ago provoking suspicion and hostility from the Government in Bonn and many Berliners.

Berlin Wall: The biggest social problem in West Berlin is finding jobs and homes for the disproportionate number of refugees from East Germany and other East bloc countries who flee to the city

More important for the survival of the coalition, touted as a crucial sign-post for West Germany's national elections at the end of 1990, Mr Momper's beaming smiles disguise a political ruthlessness which has surprised many of his Social Democrat colleagues as well as the political amateurs of the Alternative List (Berlin's Greens).

He has proved a dab hand at exploiting the coalition agreement, signed in March, to suppress the enthusiasms of the AL, and most observers now reckon the coalition has at least an even chance of surviving its four year term.

The first six months have not been without incident – riots in May, and plenty of minor disputes both within the coalition and between Berlin and Bonn – but in the light of expectations of chaos between the "Reds and Greens", whipped up by political opponents, the coalition seems almost boringly normal.

That is partly because of the political weakness of the AL which has been hemmed in by a pragmatic coalition programme and by its loose political structure. The regular AL assemblies, usually dominated by radical activists, have not been able to impose their will on the three independent-minded women senators (out of 14 members of the government) of the AL. Mr Momper himself is full of praise for how "realistic" the AL has become in recognising where the limits of protest lie.

The ruling senate has also benefitted from several factors not of its own making. First, the opposition remains weak. The Christian Democrats are still stunned after losing office. And the far-right Republicans, who shocked the country by winning 7.5 per cent of the vote in the January poll, have been torn by allegations of political/financial malpractice which has led to the sacking of Mr Bernhard Andres, the police officer and former chairman of the local party.

Second, West Germany's economic boom has also been buoying up the West Berlin economy. Unemployment remains above the national average at 9 per cent but Berlin's main investment bank, the Berliner Industriebank, has just reported a sharp increase in demand for long-term finance in the first six months of this year. Mr Momper says he has not heard of a single company which has cancelled or scaled-down investment in Berlin since his government took office.

Third, the Bonn Government – which continues to pay for more than half of the Berlin senate's annual expenditure of DM30bn – has, by over-reacting to some of the Red-Green proposals, helped to unite Berliners around their new government.

In the light of expectations of chaos, the coalition seems boringly normal

For example the senate's mild proposals to cut back on some of the half-empty flights to the city, in order to reduce the noise problem for people living near the airport, was denounced in Bonn despite the fact that the plan would still have meant more flights than existed two years ago. After negotiations with the Allies, with whom the senate enjoys surprisingly good relations, the cut-backs were modified slightly.

Currently Bonn is also threatening to sharply reduce Berlin's research budget which has provoked protest even from Mr Eberhard Diepgen, the former CDU mayor, who was partly responsible for establishing Berlin's image as a high-tech centre.

Bonn's complaints against the senate's rather negative research politics have some foundation. For example closing the small research reactor at the Hahn-Meitner Institute is "pure gesture politics" according to one academic who is even an adviser to the coalition. However it seems likely that Bonn will have to back down.

And on the most serious intra-coalition dispute to date – over electricity supply from West Germany – the AL will have to concede. The previous senate agreed to buy from East Berlin a part of the electricity that it will start receiving from West Germany in 1991. In spite of running counter to the new senate's emphasis on energy saving the SPD has insisted that past obligations be honoured. The AL objects that the power is unnecessary, may include some nuclear generated electricity, and will require unsightly pylons.

Such disputes have obscured the more positive aspects of Berlin's new transport and environment policies, such as the concerted attempt to encourage more people to swap the private car for public transport.

Similarly, the senate's emphasis on turning what was once the disadvantage of Berlin's geo-political location into an economic advantage – as the meeting place between east and west – has recently been obscured by the crisis in East Germany. But the specially close links between the West Berlin SPD and the rulers in East Berlin seem to be in tact, and next year Mr Momper will be the first serving mayor to visit Moscow.

(Rather unimaginatively the senate has tried, unsuccessfully, to ban the enormous open-air markets in which Poles try to sell to West Berliners almost anything that can fit into their small cars which trundle over the Polish-German border not far to the east.)

The biggest social problem is finding jobs and homes for the disproportionate number of refugees from East Germany and other East bloc countries who flock to Berlin, without upsetting the disadvantaged sections of the indigenous population who provided most of the Republican vote in January.

According to Ms Monica Schumer-Strucksberg, a member of the Berlin SPD executive and an official in the housing department, Berlin currently needs another 12,000 homes. The senate has even suggested renting land from East Berlin to help solve the problem.

Is Berlin pioneering a new style of politics for West Germany? The SPD's recent retreat in the polls makes a Red-Green government in Bonn less likely, but if it were to happen the experience in Berlin after six months suggests that changes will be of form rather than substance.

The AL retains its power to shock, protesting, for example, against a visit from President George Bush. The large number of political virgins in the Government – mainly academics – has also brought a fresh view to many debates, and it is reassuring to know that several members of the Government bicycle to work.

If the coalition does survive it will be thanks to the political ego of Mr Momper

However there are also complaints of administrative confusion and some observers complain that the women – who for the first time form a majority on a state government – have been rather disappointing, "and some have been worse than disappointing", according to one (woman) insider.

Ms Schumer-Strucksberg claims that the predominance of women in the senate is slowly changing the style of political debate – with political ego less in evidence than usual. But on current showing if the coalition does survive four years with any credit it will be thanks to the surprisingly strong political ego of Mr Momper.

BERLIN WALL

Home-thoughts on a divided city

SOMEHOW, my daughter Emilie, aged 7, learned that there was a wall in the middle of a city. She asked simple and essential questions, like "Why?", "How tall?", and "Could one climb over it?"

After almost three years in Bonn, I was approaching the end of my tour of duty. Before leaving the country for good, I thought it was time to take Emilie on a trip. So off we went, the two of us, on some kind of father-daughter honeymoon, to the divided city.

The main purpose of the journey was to give Emilie something to remember of Germany. I planned to seize the opportunity to give Emilie her first lesson in geopolitics. I would explain how the wall was a symbol of the differences between democracy and dictatorship, freedom and the absence of liberty, I would tell her how it was one of the consequences of the Second World War – the war her grandparents talk about so often.

Things did not, of course, go as planned. We did share a few wonderful days together. But my political lesson was a flop. Emilie loved East Berlin.

Of course, we saw the wall. We took pictures of it, and pictures of ourselves in front of it. We went to the museum of the wall at Checkpoint Charlie. Emilie thought this was a very funny name – for, guess what daddy, she had just read a book called Charlie at the Chocolate Factory.

In the museum she was much impressed by a video on the building of the wall, and by a cute little car where a West Berliner hid his East German fiancé to cross the border. I bought my daughter a book of the museum and an ice cream. She liked the ice cream very much.

We crossed the checkpoint into the East. Emilie did not seem concerned by the frontier, but she was very proud at having her own passport. The frontier officials, normally stern figures, smiled at her. One moment and DM50 (the obligatory currency exchange translation) later, we were on the other side. I am not sure that Emilie realised it was the wrong side.

It was a sunny day. We were hungry. We walked to Unter den Linden, and shared a table on a terrace with two young punk-looking girls. They had only cakes in that cafe. So we ate cake. Then we walked to the Alexanderplatz and wandered around the historic centre of the city, nicely restored for the 750th anniversary two years ago.

We sat in a *Biergarten* and ate a *Bratwurst*. Two musicians sat at a table and sang a song Emilie knew from her flute lessons – When the Saints Go Marching In. After a while, she sang along. She was in heaven. Finally, I dragged Emilie, happy and exhausted, back to Checkpoint Charlie. We passed a toyshop filled with brand new old fashioned metallic toys. There we spent the rest of our East German marks.

Back in West Berlin, I tried to give this part of the city a chance. The next day, we had lunch on the top floor of the KaDeWe, a famous department store. I tried to underline, not very subtly, I must admit, the differences between the abundance here and the scarcity there.

But Emilie, remembering perhaps the cakes and the *Bratwurst* of yesterday, did not care much for food. So we paid a visit to the pandas at the zoo. We gave the monkeys some peanuts and watched the pink flamingos. We did what we came not to do – we forgot about the wall.

Michel Faure

The author was until this summer Bonn correspondent of the Paris daily newspaper Libération. He now writes for L'Express in Paris

David Marsh on social graces and foibles

Making Germans smile

IN SPITE of the billions of D-Marks spent by the Bonn Foreign Ministry on promoting German culture in the outside world, knowledge abroad of the manifold ways and foibles of the Germans remains astonishingly meagre.

Among the factors contributing to this are: lack of foreigners holidaying in Germany (strong D-Mark); foreigners' ignorance of German language (grammar); and the Germans' reluctance to talk about themselves (Hitler).

To help you get the best out of the Germans, here is a guide on how to deal with them.

1) Do remember to shake hands. This especially applies at parties and receptions when you may say hello to hundreds of clenched fingers at once. Do not kiss hands unless you are at least two of the following: a) very confident; b) completely sober; c) a count.

2) When greeting people, do not forget to mutter your surname in an incomprehensible undertone. Especially when answering the phone, Germans feel an instinctive necessity to give their names. Unless yours is particularly awkward or embarrassing, you should try to do likewise.

3) Do be nice to waitresses. German waitresses, especially the buxom ones with frilly blouses in cafes where they serve cream cakes, are among the most pleasant in the world.

4) Do not call people you have just met (including those in Rule 3) by their christian name unless you happen to be members of the same sporting/gardening club.

Do not slap them on the back. Do make an effort to find out the name of their home town and express interest in drinking their regional beer or wine/walking in the local woods/visiting their rebuilt town hall.

5) Do not make jokes on the following subjects: the ozone layer, Lance missiles, the make of car driven by your guest/host/taxi driver, Mr Mikhail Gorbachev, dead trees, professors, the social security system and the Greens.

Stay clear also of Bismarck, pensions, proportional representation, the Single Market, Turks, bishops, mothers-in-law, East Germans, holiday destinations and medical bills.

Stick instead to non-controversial subjects which nearly everybody regards as amusing, like Mr Helmut Kohl.

6) Do make an effort to converse in German. There are so many foreign words in the German language that, especially if your interlocutor is a diplomat/computer-programmer/reader of Der Spiegel, you will, with luck, be able to pick up the main points of what he/she is saying.

6) Do not bother to apologise for your lamentable German. The Germans do not need to be told that you will never master their language. So long as you are not a football hooligan or a refugee, the Germans rather like the English. Unlike the Americans, who have not quite reached this stage yet, the English are considered harmless.

8) Do bear in mind that, only the English talk about the weather. In Germany people like to discuss their health. Do not look bored when they tell you how much work they have to do, and why they need soon to go on holiday.

Do consider that, although "stress" (in its verbal form: *"Ich bin gestresst"*) is not a German word, it is one of the most frequently used in the German language.

9) Do remember that, without rules, life would become anarchic. Do try to obey pedestrian traffic signals. Do remember that, because of insurance regulations, buses will only pick you up if you are standing within a metre of the bus-stop. On public footpaths, do not wander into bicycle lanes. The bicyclists will not stop – you will.

10) Do make an effort to be reasonably punctual. Unless you are from France, when it is charming, lateness is thought a sign not so much of impoliteness but of disorganisation.

11) Do regard queues with circumspection. Germans tend to mingle, rather than queue, at bus and tram stops or at the newspaper kiosk. This may give you a false sense of freedom in other places. Do not under any circumstances try to jump queues at supermarket sausage counters, especially if there are old ladies at the counter. The consequences could be ugly.

12) Do travel on the trains. Bundesbahn conductors are on the whole extremely friendly, and sometimes tell jokes (but remember Rule 5). Do remember to say "Auf Wiedersehen" to fellow-passengers when leaving the carriage. When offering to carry the luggage of old ladies, do try to explain that you do not require money and that you are not a thief.

13) Do not let your children wander near cranes, bulldozers or building sites, unless you have a policy from a reputable German insurance company covering you for any damage they might suffer.

14) Do not whistle in buses, on the streets or in shops. It tends to irritate people, *above all* the older ones, of whom there are surprisingly large numbers. In East Germany, where people are even more restrained in their public habits, they will think you are either mad or a member of the secret police, or both.

15) If you are driving a British car, do not, on any account, try to overtake a Mercedes or BMW on the Autobahn. Do not smile or make hand signals at your fellow drivers. This will be *misinterpreted*. If a Mercedes driver stops, gets out of his car and looks meaningfully at you, drive on as fast as possible.

16) Do not stop for pedestrians at zebra crossings unless you see a flashing red light; a policeman ordering you to; people lying on the zebra crossing and not moving.

17) Do throw batteries, waste paper, glass in the receptacles provided by the town council. Do not do this after 10pm or before 7am or you will be fined for causing a disturbance.

18) Do bring flowers when invited for lunch, tea, dinner, drinks. Do ask the florist to wrap them in bio-degradable paper.

19) Do not be afraid to mention Hitler and the war. Many Germans enjoy discussing this with foreigners. Their views on all this are perfectly straightforward, and will only take a few hours to impart.

20) Do remember that Germany is a land of tradition. Do visit at least one local fair/carnival, procession/beer or wine festival. On such occasions, do bear in mind that the precise conditions under which Rules 1, 2, 4, 5, 9, 10, 11, and 14 may be temporarily suspended will appear, to you at any rate, totally incomprehensible.

Andrew Fisher on Munich's pleasant balance of business and tourist attractions

Beer-drinking city of cheery hedonism

WHEN people think of Munich, they are as likely to think of fun as of business. For while the West German city houses some of the country's biggest industrial corporations, banks, and insurance groups, it is also a big attraction for tourists, whether they come to drink beer in oversize Bavarian litre glasses, see the outlying castles and mountains, or sample the local opera and museums.

Munich is the city of the *Oktoberfest*, the annual beer-drinking jamboree that symbolises for many foreigners the city's cheery hedonism. It has elegant streets, attractive shops, and glamorous women. Its restaurants range from cheerful beer gardens and eating halls to expensive hang-outs for the *Schickeria*, the rich, trendy and (mostly) young people who noisily adorn the city's social life and fill the local gossip columns.

The city's restaurants range from lively beer gardens and eating halls to expensive hang-outs for the Schickeria, the rich and trendy

Munich is Germany's film capital. Mr Bernd Eichinger, producer of The Name of the Rose, The Neverending Story, and, most recently, *Last Exit to Brooklyn*, has his headquarters in Schwabing, the smart residential and nightlife area north of the city centre. Fashion is also important, with Escada, the pricey women's fashion house, and Etienne Aigner, maker of exclusive handbags and leather goods, both operating from the city.

But in business terms, it is concerns like Siemens, the electrical and electronics group and BMW, the car and motor-cycle manufacturer, which dominate Munich.

There is also a host of electronics and high-technology companies, spawned in part by the activities of Siemens, which moved there from Berlin after the Second World War. Both of Munich's best-known companies are doing well, with BMW's profits benefitting from the success of its up-market models and cash-rich Siemens having just bought Plessey of the UK in partnership with Britain's General Electric.

Munich's companies have also stamped their physical presence on the city. BMW's curious headquarters building, shaped like four cylinders, is a landmark. It is close to the soaring tent-like architecture of the Olympic Park, the site of the 1972 Games which lifted Munich's *international profile, but also* ended tragically with the death of 11 Israeli athletes as a result of Arab terrorist action.

Siemens' headquarters is in an elegant pink-coloured classical building near the centre. The big Munich banks have also made a splash architecturally. Near Siemens is the eye-catching modern building of Bayerische Landesbank, owned by the state of Bavaria and savings banks. Bayerische Hypotheken-und Wechselbank (Hypo Bank), however, has erected an eye-jarring grey construction towards the city's *edge. Completing the trio of* powerful banks is Bayerische Vereinsbank.

In banking terms, Munich clearly ranks behind Frankfurt, whose position as Germany's financial capital has expanded considerably in the past few years. However, the Munich banks have spread far beyond Bavaria. Vereinsbank, the fifth biggest bank in Germany, is building a new Frankfurt office to be ready for expansion in the 1990s. It also has five US branches.

Much of Munich's financial importance centres on the big insurance groups, Allianz and *Münchener Rückversicherung* (Munich Re).

Allianz, Europe's biggest insurance group is one of the country's most powerful financial institutions. Not only does it own 25 per cent of Munich Re, the biggest reinsurance company in the world, but it has also built up share stakes in other industrial and financial concerns worth more than DM100bn. The most prominent of these is the holding of around 23 per cent of Hypo Bank.

In recent years, Allianz has been pushing deeper into foreign insurance markets. Having failed to acquire Eagle Star of the UK, it bought Cornhill Insurance in 1986. Its latest deal was the purchase of 50 per cent of the insurance activities of Compagnie de Navigation Mixte of France. Allianz is also heavily involved in Italy and Spain.

Adding colour to the grey, formal world of German finance is Count Albrecht Matuschka, founder of the Matuschka Group. He can be inspiring and disconcerting, throwing out ideas and opinions, many of them controversial, like bullets from a machine gun. This autumn, the independent financial group, a pioneer in the country's venture capital scene, made news by selling 25 per cent of itself to six foreign investors, including Nomura of Japan and General Electric of the US.

In business terms, it is concerns like Siemens, the electronics group and BMW, the car manufacturer, which dominate Munich

But stimulating though Munich is to visit, the heightened business activity is not all good news. Travel to Munich is rising and its overburdened airport has become notorious for delays. It is not uncommon to sit for one or more frustrating hours on the runway waiting to take off for Frankfurt. There is good news, though. With a new airport under construction, relief is in sight. The bad news is that it will not be ready until 1992.

Munich's annual beer-drinking jamboree, symbolises for many the city's cheery hedonism

Scene from Resurrection by Peter Maxwell Davies directed by Peter Brenner, currently based at the Darmstadt State Theatre

ARTS

Darmstadt's 'special stage'

DARMSTADT, a city of 135,000 inhabitants south of Frankfurt, has an artistic tradition stretching back to the beginning of the 18th century.

The seat of the Hesse-Darmstadt aristocracy, the city became a prominent cultural centre under the Grand Duke Ernst Ludwig – a grandson of Britain's Queen Victoria – who ruled between 1892 and 1918. Half of Darmstadt was destroyed in heavy bombing during the Second World War. But the city's theatre and operatic heritage has survived and prospered in the post-war era.

The city's best-known symbol, the *Hochzeitsturm* (wedding tower) on the Mathildenhöehe (the town's gift to Ernst Ludwig on his marriage in 1905), testifies to the richness of Darmstadt's *Jugendstil* (arts nouveau) past.

The focal point of Darmstadt theatre since 1972 is decidedly without any romanticism – an ugly concrete structure in the city centre. But Darmstadt has maintained its creative traditions not just by playing active host to well-known repertoires but also by presenting little-known works and advancing contemporary and experimental opera. Patrons of the Darmstadt State Theatre still refer to it by a name dating from its pre-First World War golden age: "*Die besondere Buehnen*" (the special stage).

Frankfurt Opera House: one of Germany's leading opera centres

The State Theatre, under the management of Peter Brenner since 1984, focuses on three areas: opera, ballet and drama. It employs 540 people. Its annual budget totals DM39m, of which 52 per cent is provided by the state of Hesse and 48 per cent by the city authorities.

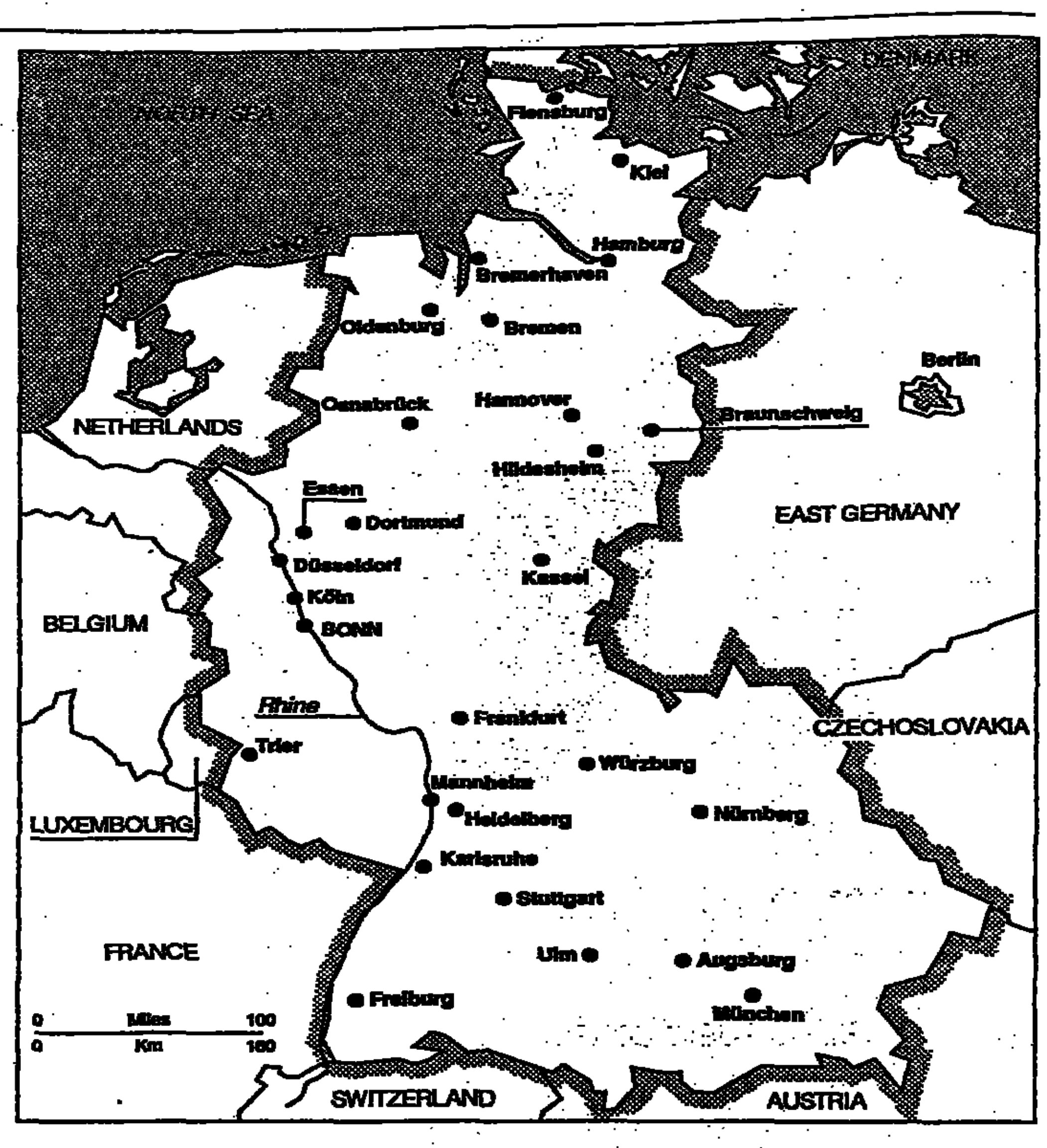
That is small compared with Hamburg and Munich. But Darmstadt's efforts illustrate how even a middle-ranking German house can win its operatic spurs.

Brenner has built on the successful stewardship of Kurt Horres, who directed the house between 1976 and 1984 and brought it acclaim well beyond the city boundaries.

The theatre offers eight or nine new opera performances per year, as well as half a dozen revivals. About nine new plays are staged each year in addition to eight symphony concerts performed by the theatre's own orchestra. There are also theatre workshops, three ballet productions, additional plays and children's performances.

KEY FACTS

Area: 248,600 sq m
Population: 61.4m
Chancellor: Helmut Khol
GNP per capita:
$20,311 (1988)
Purchasing power parities 1987:
West Germany 13,323;
Japan 13,181;
France 12,803
Real GNP growth:
1988 +3.4%;
1987 +1.8%;
1978-88 ave 1.9%
Inflation:
1988 +1.1; 1987 +0.3%;
1978-88 ave 3.0%
Merchandise exports:
1988 $308.85bn;
1987 278.09bn
Merchandise imports:
1988 $230.21bn;
1987 208.22bn
Current account balance:
1988 +$48.58bn
(% of GDP 4.0% 1988)
Geographical breakdown of trade balance 1988 (DMbn):
Total +128; EC +80.8;
US +16.6; Japan -15.3;
Opec +4.7; Other +41.1
Currency:
100 pfennigs = DM1
Average exchange rates:
1988 $= 1.7562; £=3.124
Main exports 1988 (% of total):
Vehicles 18.1%; mechanical engineering products 15.4%; chemicals 13.8%; electrical engineering products 11.2%
Main imports 1988 (% of total): Agricultural products, food, drink 13.1%; chemicals 10.4%; electrical engineering products 9.6%; vehicles 8.0%



Brenner is a well-known director whose productions have appeared in Cologne, Salzburg and the US. He says *that roughly one third of* Darmstadt's programme consists of new or "unknown" works.

The city has maintained its creative traditions not just by playing active host to well-known repertoires but also by presenting little-known works and advancing contemporary and experimental opera

He also specialises in translating foreign operas into German. This season, performances of Cosi fan tutte and La finta Semplice, both by Mozart, are Brenner translations. Past Brenner landmarks include Handel's Julius Caesar, directed by Martin Schlumpf, as well as a world premiere of Peter Maxwell Davies' Resurrection, a work concentrating on the conflict within contemporary consumer society.

Among this seasons's other *offerings are Verdi's Aida*, Puccini's Madame Butterfly, Johann Strauss's Der Zigeunerbaron and Saint Saens' Samson and Dalilah. Darmstadt also staged a newly-worked version of Schostakovich's Lady Macbeth von Mzensk, composed in 1932, which originally fell foul of Soviet censorship. This latter was under the direction of Gerd Heinz, sealing his successful transition from drama to opera. Heinz is also preparing a production of Alban Berg's Lulu.

One of the advantages of a medium-sized house such as *Darmstadt is that it gives artists the chance to switch from* stage to direction, and from drama to opera. Brenner's aim *is to further the talents of* young singers by preserving the characteristics of ensemble theatre. The Darmstadt Ensem*ble meets for every rehearsal* enabling it to work together continuously; guest stars are an exception.

Baritone Hubert Bischof illustrates the beneficial aspects of the ensemble system. In his more than 15 years in Darmstadt opera, he has been able to show off his talents in a variety of roles, ranging from Klingsor in Parsifal to Kardillac in Hindemith's opera of the same name.

Some former ensemble members who have risen to world standard are Cheryl Studer, Brigitte Fassbaender, Sigfried Jerusalem and Barbara Bonney.

The theatre's choir under the direction of Josef Beischer, and music director Hans Drewanz, who has spurred the orchestra for more than 26 years, also makes a notable contribution. Drewanz also directs the twice-weekly concerts, on Sunday mornings and Monday evenings. If there is one complaint, however, it is that Darmstadt music lovers would like to hear their orchestra more often.

Patrons still refer to the theatre by a name dating from its pre-1914 golden age: the special stage

Patricia Nastz

FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 30 1989

INSIDE

Out of harmony at Tokyo show

At this week's Tokyo Motor Show, proud Japanese industry leaders placed strong emphasising on a new spirit of co-operation. "We must look to create harmony with people and with the world we live in as we go about our vehicle building activities," said Mr Shoichiro Toyoda (left), president of Toyota. The fun of the fair, however, was spoilt somewhat by Mr Peter Drucker, the doyen of management scientists, who just happened to drop into Tokyo to promote his latest book, and took advantage of the occasion to vent some hard-hitting thoughts about Japan's place in the world. He told foreign correspondents that western governments, particularly West Germany, will not welcome any outside pressure that forces inefficient industries to shed labour at a time when thousands of east Europeans are flooding into western Europe looking for jobs. Ian Rodger reports. Page 36

RJR to sell sweet businesses

RJR Nabisco, the US tobacco and food group which is raising cash to cut its debt burden, is to sell three US confectionery businesses to Nestlé, the Swiss foods group, for $370m. The three businesses — Baby Ruth, Butterfinger and Pearson — are part of RJR's Planters Life-Savers company. Page 23

On the home front

Habitat is the very foundation of the Storehouse empire built up by Sir Terence Conran (left). On this base has grown the retail group which takes in BhS, Mothercare, Richards, Heal's and many other famous names in the UK high street. But the empire has been under attack, as profits have fallen and threats of a break up bid have waxed and waned. Habitat, now combined with Heal's in the group's home furnishings division, has seen profits fall and in May Mr Michael Harvey was appointed as the division's chief executive. Page 25

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The big battalions home in on Ferranti

Terry Dodsworth explains why the troubled UK defence group has attracted so many potential suitors

There has never been a corporate auction quite like the one that is now being conducted at the Ferranti electronics group.

The company is in deep trouble, its balance sheet shattered by the £185m write off incurred from suspected fraud. Yet in this crippled state it has still managed to attract the attention of the industrial giants fighting for a place in the streamlined European defence industry of the 21st century — companies such as Thomson in France, Europe's largest military electronics supplier, the newly-constituted Daimler-Benz defence group in West Germany, two or three US concerns, and the General Electric Company and British Aerospace in the UK.

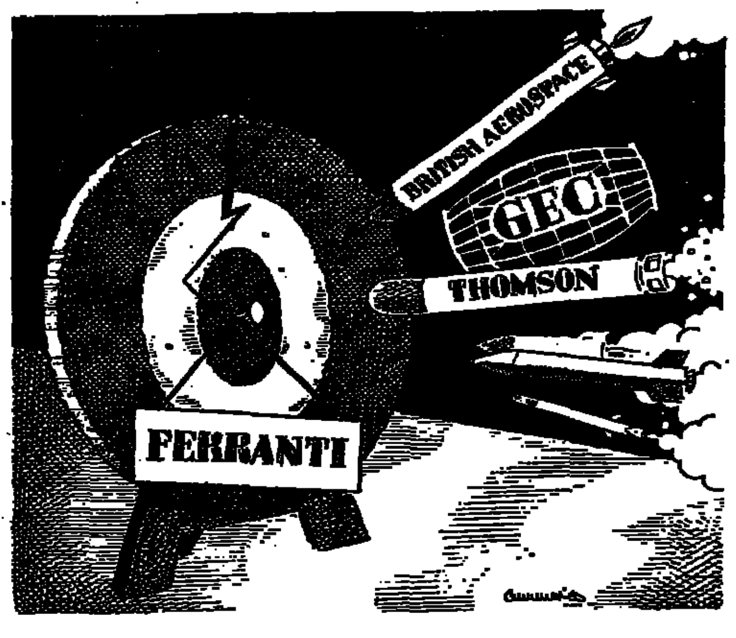
This range of interest is a strong testament to the changed conditions in today's defence electronics industry. Three or four years ago, when defence spending in the West was surging ahead, most companies were thinking of how to develop new markets rather than retrenchment and rationalisation. But the industry is now being driven into a wave of mergers and takeovers by the twin pressures of stagnant defence budgets and rising research and development costs.

In both Europe and the US, this has led to tentative acceptance of cross-border deals. Already there have been several UK acquisitions in the US, and one sizeable European deal with the recent purchase of two Plessey defence businesses by Siemens of West Germany. Industrialists expect even more. Indeed, Prof Roland Smith, who became chairman of British Aerospace two years ago, recently predicted that the European defence industry would be forced to slim down to three or four big competitors by the mid-1990s.

Following its financial debacle Ferranti has clearly become the leading European candidate for restructuring; and it also has some valuable commercial and industrial assets for a potential acquirer. In the UK market, for example, its position as a long-established supplier to the Ministry of Defence (MoD) have given the company a breadth of experience and knowledge that could only be built up through many years of organic growth by a newcomer to the industry.

Second, Ferranti has a strong position in several important electronics-based technologies. It is a leading supplier of airborne radar, and widely regarded as one of the best companies in sonar systems — listening devices designed to detect enemy submarines. It also has a commanding position in optics, with products such as goggles which see in the dark, and dashboard displays that project onto a pilot's windscreen. And it is an expert in navigational systems.

Buoyed up by these assets and the growing overseas interest in the UK defence industry, Ferranti has been able to swing into the auction process with a great deal more vigour than might



have been expected after suffering one of the biggest frauds in industrial history. An air of relative stability now rests over the company.

During the past few weeks it has patched up support arrangements with its banks that would give it sufficient working capital — about £300m to see it through to the end of January next year. It has also paraded the fact that around a dozen companies, including at least two from Continental Europe and another two from the US, have cast a serious eye over the possibility of doing a deal. Some of these, Ferranti insists, are interested in solutions which would leave much of the old company intact, injecting new equity capital in return for a minority stake in the group.

Yet despite all this activity, Ferranti's share price has stubbornly refused to climb out of the 53p to 58p zone where it has been stuck since the company was requoted three weeks ago. This values Ferranti at a maximum of only £430m, less than half of its highest market capitalisation during the last twelve months. Admittedly the stock market as a whole has been under pressure in the last few weeks, but on this evidence the City is highly sceptical about the prospects of a fiercely-fought, open-ended auction driving up Ferranti's value.

The main line of City reasoning goes like this. First of all a full takeover by an American company looks unlikely. US groups, unlike their European counterparts, have no particular need for Ferranti's technology — they make similar sonars and radars just as well themselves — and their main interest would be in market position. But they would face formidable political obstacles if they made any bid that looked as though UK technology would be stripped out.

Second, the General Electric Company, Britain's biggest defence electronics group, is already so large that the MoD and Monopolies Commission would almost certainly stop it from making a bid.

Third, European companies would also run into a great deal of political flack if they tried to make a solo run for the company. There would be more talk of British high technology assets going overseas, and another lengthy battle, as in the recent takeover of Plessey's defence business by Siemens, to insulate British military secrets from foreign nationals. There is strong feeling, for example, that Daimler-Benz could only make a move on Ferranti in partnership with a company such as GEC.

This is why there is a growing belief in the City that the joint British Aerospace/Thomson bid, already tentatively announced, has taken a commanding position in the auction.

Thomson is politically acceptable to the MoD so long as it comes into the UK as the junior partner with a large British company; and it will bring its own competitive technology to the British defence sector. BAe also fits the MoD's desire for a large, well-capitalised new partner for Ferranti; and it could make good use of the smaller company in its quest for vertical integration. Ferranti would thus, for example, become the in-house supplier of electronic homing devices for BAe's missiles, taking BAe away from dependence on GEC's Marconi division, and helping it to develop further as the national competitor to Marconi.

GEC, of course, will not take this lying down but if its options are limited to taking a minority stake in Ferranti, it will face an uphill battle against a determined BAe/Thomson consortium. Shareholders, after all, will have the last word by voting on any proposals Ferranti manages to squeeze out of its suitors. And the big institutions seem at present to be far more interested in a full bid for the company than in any solution which relies on Ferranti managing its way out of trouble.

Academics now advocate trading blocs

By Martin Wolf

Strange weeds are sprouting in Boston's academic groves. At a meeting of the World Economic Forum last February Professor Lester Thurow, Dean of the Sloan School of Management at the Massachusetts Institute of Technology, argued that GATT is dead. Trading blocs are the wave of the future, he opined, and managing trade among the emerging blocs the main challenge.

Fortunately, the future of the world economy will not be managed trade among tidily-defined trading blocs, if one means by this groups of countries which trade with one another on a preferential basis. Western Europe is, indeed, such a bloc, but it discriminates less against outsiders now than it did 30 years ago. The US may be a bloc all on its own, but US producers, too, are less protected than they were 30 years ago. The addition of Canada to the US, via the Free Trade Agreement, represents no dramatic change.

The world's most dynamic economic region, East Asia, far from being a bloc, consists of countries that have prospered on the basis of non-discriminatory trade policies. Any regional bloc in East Asia would be a recreation of the pre-war Co-prosperity Sphere. Even if Japan were to want such a thing, does anyone believe that countries like the Republic of Korea would voluntarily discriminate in favour of Japan and against the US and Europe?

Nothing short of catastrophically foolish policy by the US would compel such countries to join any exclusive trading bloc. Unhappily, two pamphlets by a number of still more distinguished academics, both published by Eastman Kodak, are encouraging the US to move in what could well prove precisely the wrong direction.

The background noise to the formation of trade policy is the grinding of axes. Scholars of deserved repute play a unique role in public debate, because they owe allegiance to no interest. For this, like Caesar's wife, they need to be above suspicion. This standing fits ill with publication by an interested party.

This much for the manner; but what of the matter? "In the level playing field, the best team wins and our team is no longer the best. Therefore trade policy should have looked for special opportunities, not in the direction of market closing and protectionism, but in opening markets for our firms, *ahead of the competition*" (my emphasis). In short, these pamphlets suggest that US policy be aimed at creating a *chasse gardée* for its uncompetitive products.

The idea of pursuing free trade areas as an alternative to the GATT has been discussed by Jeffrey Schott of the Washington-based Institute for International Economics. Unilateralism and bilateralism are analysed in a forthcoming article by Professor Jagdish Bhagwati of Columbia University. Both authors conclude that these alternatives to multilateralism are illusory or downright dangerous.

How then does the second pamphlet reach its conclusions? Exports of manufactures from the US must increase, it argues. This will be best achieved if others liberalise their markets, preferably in favour of the US. GATT is dead; long live aggressive market opening.

What is most striking about this approach is its insouciance. It is possible, but by no means certain, that the costs of adjustment would be a little lower if the US were to act as the Kodak authors advise. But consider the risks.

Suppose that the US were to achieve discriminatory advantages against the Japanese, the Europeans and other developing countries, too. Suppose that it were to demand a precise quantum of market opening, as if Japan were a planned economy. Suppose that it were to renege on existing GATT obligations in order to punish countries for their failure to do as it sees fit. Do the authors imagine that the rest of the world would stand still and smile?

These sorts of recommendation have disturbing parallels with the collapse of the Bretton Woods system in the 1970s. Then, too, distinguished academics supported the politicians in their incorrect view that the system imposed a lop-sided constraint on US macroeconomic policy.

Now it is the GATT, the last remaining pillar of the hugely successful post-war order, that is to undergo demolition. But it would not then be a world of neat trading blocs. It would, instead, be a world of relentless competition for discriminatory advantage among trading powers that recognise no clear spheres of interest. To prefer such a world over the existing institutions of co-operation, however flawed, would be folly of no small order. This looks like a case of *trahison des clercs*.

Lester Thurow, Must we Manage Trade? World Link, The Magazine of the World Economic Forum, June 1989.

Rudiger W. Dornbusch, James Poterba and Lawrence Summers, The Case for Manufacturing in America's Future (Rochester NY: Eastman Kodak Company, 1988).

Dornbusch, Paul Krugman and Yung Chul Park, Meeting World Challenges: US Manufacturing in the 1990s (Rochester NY: Eastman Kodak Company, 1989).

Jeffrey J. Schott, "More Free Trade Areas?" in Free Trade Areas and US Trade Policy (Washington: Institute for International Economics, 1989).

Jagdish N. Bhagwati, "US Trade Policy Today," The World Economy, Trade Policy Research Centre, London, forthcoming.

Economics Notebook

Divergence from the fiscal line

NEVER mind the fine commitment given by member states to the first stage of European Monetary Union, and their alleged willingness to bring fiscal policies into line. The reality is different, to judge from a report last week put out by the Commission. If there is going to be monetary union, individual countries must stop running wildly divergent budgetary policies, any sign that they are moving further apart cannot bode well for the future.

According to the Commission's latest economic forecasts, the debt ratios of the big spending countries will to go on getting bigger over the next two years — at least as a percentage of GDP — while those of the surplus countries will continue to shrink. For 1989 the ratio of debt to GDP ranges from 128 per cent in Belgium to 9 per cent in Luxembourg, while budget balances range from a negative 14 per cent of GDP in Greece to a positive 2 per cent in Luxembourg.

Taken as a whole, the position is scarcely more encouraging. The Commission expects debt across the Community to stabilise at about 60 per cent of its combined national product, compared to about 40 per cent ten years ago. However the figures will be made up by shrinking ratios in the UK and in Denmark, offset by expanding ones in Belgium, Portugal, the Netherlands, Italy and Greece, especially the last two.

This gloomy account seems to cut straight across the conventional wisdom, according to which national policies are slowly being brought into line. Mr Karl Otto Pöhl, the president of the Bundesbank, made explicit mention of such convergence at a speech in Brussels last week. "It is verifiable that membership of the EMS...has exerted very strong disciplinary and adjustment pressure," he said. In particular the central relationship between France and West Germany has been transformed; France learnt from the bitter experience of the early 1980s that there was no point in running an expansionary fiscal policy when Germany was doing the opposite.

The conventional view has it that there is no need to impose any sort of fixed discipline on members to control their fiscal policies, as convergence is happening of its own accord. The Commission's findings do not necessarily suggest otherwise. A country's debt ratio can continue to get worse, despite real efforts to get its finances in order. The Netherlands is a good example of this, having adopted stringent budgetary measures that could not have been much tighter, even if forced upon it from outside. If its deficit goes on rising in the short term, it is a result of paying interest on its immodest borrowings of the past.

However, not all deficit countries are behaving as responsibly as the Netherlands or Ireland: the two singled out by the Commission for particularly poor progress are Italy and Greece. In Italy, at least the commitment is there to do something about the deficit, and with secret voting on budget issues scrapped last year and with the new finance minister, Mr Guido Carli determined to act some progress may be made. Meanwhile, if Greece continues to run great big deficits, that may pose a structural problem for Greece, but as the country accounts for such a small part of the whole, it scarcely threatens the progress towards monetary union.

Excise exercise

To the rescue of Greece and other southern public spendthrifts last week came the Commission with a proposal that they raise their excise duties on tobacco and wine. Of course, none of the wine and tobacco growing Greeks, Spaniards, Italians and Portuguese want to be "rescued" from their budgetary problem in quite this way. And, of course, the Commission suggestion was part of its plan to bring the Twelve's excise rates closer together, so that, post-1992 when internal EC borders checks notionally disappear, people do not flood from high-rate into low-rate countries to buy their drinks, cigarettes and petrol. Receiving little media attention, because it was approved late at night, the plan replaced the 1987 proposal for single excise rates.

High-rate countries like Denmark, which did not want to lose 1-2 per cent of GDP in tax revenue, and low-rate countries which wanted to continue to imbibe and puff away cheaply, united to doom the single-rate plan. Instead, Brussels has proposed "minimum" rates (lower than the 1987 level) which countries must respect by January 1 1993 and "target" rates (higher than the 1987 level), at which countries must aim towards (either up or down) if they make any subsequent move in their excise rates.

The incidental effect of the plan, if adopted by governments, would be revenue losses in the north and gains in the south. Since the south is where the budget deficits tend to be largest, it might seem like a splendid way of killing two birds (the problem of macro-budgetary divergence and of tax-related trade distortions) with the one stone. So splendid it probably will not happen.

Lucy Kellaway and David Buchan

THIS WEEK

UK FINANCIAL markets will have their eyes fixed firmly on the pound this week as they await news on how Mr John Major, the new Chancellor, intends to manage exchange rate and interest rate policy. Tomorrow's Commons debate on the economy is likely to offer the first opportunity for the Chancellor to outline his policy stance.

The markets will be hoping that Mr Major carries on where his predecessor left off; prepared to raise base rates further to protect the pound if necessary, and ready to order the Bank of England into the foreign exchange markets to smooth sterling's path in the event of a run on the currency.

An indication of how much the Bank intervened in October on the pound's behalf will come on Thursday with the publication of UK official reserves data. Intervention was heavy during the early part of the month, and City analysts are expecting an underlying fall in the reserves of anything between $1bn and $2bn.

This would be well up on September's unexpectedly small fall of $142m. The extent of intervention may be hidden if the Bank bought pounds in the forward currency markets this month, when settlement does not show up till several months later. Intervention last week on Thursday and Friday, which was to be substantial in the wake of Mr Lawson's shock resignation, will not be included in the figures because the Bank draws the line in October on the last Wednesday of the month.

Figures for UK housing starts and completions, widely regarded as a useful leading indicator of economic activity, are also published this Thursday.

Analysts do not expect to see much of a recovery from the August figure of 30,200, which was the lowest number of starts seen since 1981.

The US employment report for October is out on Friday and will be closely watched for signs of a slowdown in the pace of economic activity. The underlying tone of US employment data is one of weakness, with recent headline figures distorted by returning strikers. Nomura Research in London forecasts a rise of 190,000 in the employment payroll.

The West German trade figures for September will be revealed on Thursday. Analysts say that the figures are unlikely to show decisive signs of a fall in the German trade surplus until the current global investment boom, especially in Europe, starts to abate.

Other events and statistics out this week include:

Today: UK, final money supply figures for September. Japan, unemployment rate for September.

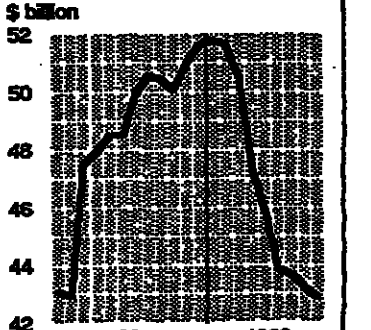
Tomorrow: US, employment cost index third quarter 1989, agricultural prices for mid-October.

Wednesday: UK, advance energy statistics for September, overseas travel and tourism figures for August. US, purchasing managers survey for October and construction spending for September.

Thursday: Japan, current account balance for September. US, productivity costs in third quarter. West Germany, Bundesbank central council meeting.

Friday: Japan, national holiday.

UK official reserves



INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LOANS

Hostility grows over leveraged buy-outs

THE QUESTION mark which hangs over the future of leveraged buy-out financing in the US and UK, following the troubles of a number of well-publicised deals on both sides of the Atlantic, may already be having an impact on the rest of the international loans market.

Deepening aggression is reported among some banks seeking to arrange more conventional corporate and sovereign credits, fuelling expectations that tighter pricing may follow. While borrowers will no doubt enjoy it, this will not be completely welcome from the banks' point of view. It was only last year that an apparently inexorable decline in margins and commissions on conventional credits began to be reversed, amid heightened awareness among banks about the cost of capital.

However, leveraged deals have not completely disappeared from the market, although there is an increased nervousness among banks with such transactions underwritten but not syndicated. Some banks are shying away from leveraged lending, but it would require a herdlike change of direction if all such deals were to be buried.

Nobody can argue, for example, that they are overexposed to the nascent French LBO market, and the senior financing for what is thought to be the second largest LBO in France is now being syndicated. This is to finance the FFr2.58bn ($415m) buy-out of Compagnie Centrale Sicli, the fire extinguisher maker being sold by Nu-Swift of the UK.

Two-thirds of the FFr425m equity in this deal is held by a three-strong group comprising Wasserstein Perella, Bankers Trust and LBO France, a managed fund, while Nu-Swift will indirectly retain a third. The senior loan being syndicated is a FFr1.72bn facility, underwritten by Barclays SA, Crédit Commercial de France, Kleinwort Benson and Morgan Guaranty. There is also a FFr435m subordinated tranche provided by Barclays de Zoete Wedd, Kleinwort and Morgan. The senior loans, with a final maturity of 10 years and an average life of 6½, pay interest from 2 percentage points over Paris interbank offered rates, down to 1 per cent, depending on outstanding debt. There is a commitment fee of ½ per cent and front-end fees range down from 40 basis points for a FFr100m commitment.

Security Pacific is syndicating a $250m aircraft finance deal for Electra Aviation, a UK-based operating lease company in which Electra Investment Trust and Scandinavian Airline System each have a 25 per cent stake. The deal has a final eight-year maturity, but contains a three-year revolving credit of a maximum $100m. It carries a ⅞ point margin, commitment fees of ¼ per cent and front-end fees ranging down from 30 basis points for a $15m commitment.

Asset finance of rather a different kind is available to those joining a $121m deal for Sovcomflot, a Soviet borrower new to the international markets. The facility, over eight years and carrying a ⅞ point margin, is to finance tanker purchases and is guaranteed by the Ministry of Merchant Marine of the USSR. Sovcomflot itself is owned by seven Soviet shipping entities and has capital in convertible currency. It has been underwritten by Eurasco Zurich, a joint banking venture between east and west European shareholders, Bank of New York and Lloyds Bank.

An Ecu120m loan for Cassa di Risparmio di Roma, Italy's fifth largest bank, was increased to Ecu175m, according to Manufacturers Hanover, the arranger, which is also arranging a £25m two-year credit for Chancery, a merchant banking group.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,312.0	0.0	100.0	10,949.3
Prev	2,150.0	0.0	55.0	10,066.6
Other	836.4	0.1	5.4	2,137.6
Prev	832.1	0.0	355.6	1,892.7
Secondary Market				
US$	21,666.9	1,305.4	5,231.0	6,592.4
Prev	18,508.6	1,142.1	5,808.4	7,724.5
Other	17,012.3	1,352.5	3,905.9	39,682.6
Prev	15,356.7	979.7	5,153.7	34,548.8

	Cedel	Euroclear	Total
US$	12,047.6	36,109.4	48,157.0
Prev	11,325.4	34,129.8	45,455.2
Other	25,781.4	39,151.4	64,932.8
Prev	22,816.2	36,303.1	59,119.3

Week to October 26, 1989 Source: AIBD

INTERNATIONAL BONDS

Eurosterling sector suffers further setback

MR NIGEL LAWSON, the former British Chancellor, could have been mistaken for a friend of the Eurosterling market last March.

But the gathering economic disarray over which he presided during the summer, and the consequent disenchantment of foreign investors with sterling securities, rendered temporarily irrelevant the steps he announced in the Budget to liberalise the shorter end of the offshore debt market.

His abrupt departure from office last Thursday represents another, if passing, setback.

After weeks of inaction the primary market was, ironically, showing signs of life. With damage from the September trade figures weathered, and a technical opportunity in the sterling swaps market, borrowers were tempted back.

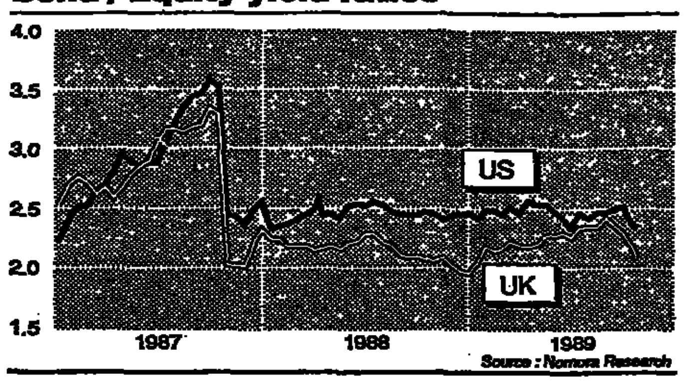
The World Bank succumbed just two hours before the news that Mr Lawson had resigned. Barings, the lead manager, had used the new reoffering structure to reopen a five-year issue at a fixed price of 96.95 plus accrued interest, representing a launch spread of 60 basis points over the equivalent UK gilt.

Faced with a 2-point drop in gilt prices the next morning, and paper still to sell, it was decided to abandon the now-unrealistic fixed price and distribute at the previous afternoon's 60 basis point spread.

As it happened the discipline of a small syndicate of three houses – primary gilts market-makers with concomitant hedging advantages – allowed them to nurse the deal through, to the satisfaction of all those who had not bought paper the previous afternoon.

Sterling's steep overnight fall against the D-Mark had apparently lured in some steady-nerved German bargain hunters. Spreads at the shorter end of the secondary market also held in well. Unsurprisingly, the longer end (beyond 2000), particularly in corporate paper, hardly traded. "We had two enquiries," complained one UK syndicate manager. "A week ago we were fielding around 200."

Bond / Equity yield ratios



Source: Nomura Research

The spread relationship between Eurosterling and gilts has been volatile for months. Poorly-covenanted corporate issues were already suffering before the junk bond scare crossed the Atlantic with Hoylake's bid for BAT Industries.

Over the summer, many European investors tumbled to Britain's gathering economic and political crisis and substantially deterred German funds. The Swiss have steered clear of sterling most of the year.

This left spreads close to their highs, even for the best credits. Three-year IBM paper launched in July at a 60 basis point spread over gilts, having tightened in to around 47 basis points, is now trading at roughly 91 basis points.

Supply and demand dynamics in the swaps market have dragged out Eurosterling spreads too. A function of the inverted yield curve, an abundance of payers of fixed-rate funds, anxious to lock in rates along the yield curve, combines with a dearth of fixed-rate receivers diverted by higher-yielding cash instruments.

Last week, with mixed success, quality issuers paid slightly generous yields to specific groups of investors as they could take advantage of unusually attractive swaps spreads. Now, after Mr Lawson's departure, the outlook for Eurosterling depends largely on whether sterling debt markets in general continue to benefit from the vicissitudes of equities, or whether a laxer exchange rate policy rekindles inflation concerns.

Gilts withstood last week's onslaughts remarkably well, as domestic institutions, with their historically low gilts weightings scared by the stock market "break," were sporadic buyers.

As the chart shows, gilts are nowhere near as good value as they were after the 1987 crash, but as fund managers were beginning to subscribe to the "harder-landing" view of the economy, sterling bonds still looked comparatively attractive. That will all change if Mr John Major tosses sterling to the whims of the foreign exchange market.

Katharine Campbell

Rudloff to chair Eurobond committee

By Katharine Campbell

MR HANS JOERG Rudloff, chairman of Credit Suisse First Boston in London, has been appointed to chair a prominent committee of the International Primary Market Association, the Eurobond trade group.

The market practices committee, recently under Mr Hansgeorg Hofmann, has aided reforms in the primary market, notably by helping clean up the allocation of "stabilisation," or new-issue support, expenses. Now the committee must encourage a resolution of the syndication techniques debate.

Mr Michael von Brentano, IPMA chairman, welcomed Mr Rudloff as "the best qualified person for the job." Other members expressed surprise that such an influential market figure should involve himself in a committee not vested with specific powers to effect market change.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toyobo Co.‡◆	150	1993	4	3⅜	100	Daiwa Europe	3.375
Hanshin Elec.Railway‡◆	150	1993	4	3⅜	100	Nomura Int.	3.375
Keihin Elec.Ex.Railway‡◆	150	1993	4	3⅜	100	Yamaichi Int. (Eur)	3.375
Tokuyama Soda Co.‡◆	200	1993	4	3⅜	100	Nomura Int.	3.375
Caisse Nat.Cr.Agricole◆	250	1994	5	8¾	101.80	IBJ Int.	8.296
Hokuriku Elec.Power◆	200	1996	7	8⅞	101¾	Yamaichi Int. (Eur)	8.533
Hanwa Co.‡◆	700	1994	5	3⅞	100	Yamaichi Int. (Eur)	3.875
Hanwa Co.‡◆	100	1994	5	3⅞	100	Yamatane Secs.(Eur)	3.875
Japan Storage Battery‡	100	1993	4	(3⅞)	100	Nikko Secs. (Europe)	★
Sanraku Inc.‡	100	1993	4	(3⅞)	100	Nomura Int.	★
Fuji Heavy Industries◆	300	1999	10	8¾	101⅜	Daiwa Europe	8.540
EIB◆	150	1999	10	8½	99¾	J.P. Morgan Secs.	8.538
Nippon Meat Packers‡	200	1993	4	(3⅞)	100	Yamaichi Int. (Eur)	★
Toshiba Corp.‡	1.2bn	1993	4	(3¾)	100	Nomura Int.	★
Kyushu Electric Power◆	200	1996	7	8⅞	101⅞	Yamaichi Int. (Eur)	8.509
Formula Ltd. No.5(s)‡◆	20	1993	4	3/16	100.10	Fuji Int. Finance	-
CANADIAN DOLLARS							
Royal Bank of Canada◆	100	1994	5	10¾	101¾	RBC Dominion Secs.	10.285
GMAC Canada(h)◆	150	1996	7	(h)	100⅛	Paribas Capital Mkts	-
AUSTRALIAN DOLLARS							
Union Bank of Finland◆	100	1990	1	9	94	Paribas Capital Mkts	15.957
Cr.Lyonnais Australia◆	50	1992	3	16¼	102	Hambros Bank	15.369
D-MARKS							
Toyobo Co.‡◆	150	1994	5	1½	100	Deutsche Bank	1.500
Mitsubishi T& Bank.(i)§◆	300	1996	5⅓	2¾	100	WestLB	2.750
Nippon Signal Co.‡	*80*	*1994*	*5*	*(1½)*	*100*	*Commerzbank*	★
SWISS FRANCS							
Seiren Co.(g)★★§◆	110	1994	-	¼	100	Bank Leu	0.250
Fokker(b)§◆	150	1997	-	4	100	UBS	4.000
Miyoshi Oil & Fat(c)★★§	120	1993	-	¼	100	UBS	0.250
Cr. Local de France★★◆	100	1996	-	6	100½	SBC	5.911
Sapporo Lion(d)★★§◆	50	1994	-	¼	100	Yamaichi Bank(Switz)	0.250
Yokohama Maruuo(e)★★§◆	20	1994	-	½	100	Bqe Paribas (Suisse)	0.500
Hokk. T'shoku Bk(j)★★§	200	1994	-	⅜	100	SBC	0.375
Hokk. T'shoku Bk(j)§	*100*	*1994*	-	⅜	100	SBC	0.375
Nippon Pillar Pck.(k)★★§	18	1994	-	¼	100	Handelsbank NatWest	0.250
Mandom Corp.(m)★★§	80	1994	-	¼	100	Nomura Bank (Switz)	★
Nippon Air Brake(n)★★§	140	1994	-	¼	100	Yamaichi Bank(Switz)	★
World Bank(o)◆	100	1999	-	6	101¼	Credit Suisse	5.832
STERLING							
Swedish Export Credit◆	100	1994	5	12	101⅝	Samuel Montagu	11.554
EIB(l)◆	85	2001	11.7	9	88.80	S.G. Warburg Secs.	-
World Bank(p)◆	100	1994	5	10⅞	96.60	Baring Brothers	-
FRENCH FRANCS							
African Dev. Bank◆	1bn	1999	10	9⅜	101⅛	CCF	9.198
PESETAS							
Int. Finance Corp.◆	10bn	1994	5	11.60	101⅝	Citicorp Inv. Bank	11.159
LIRE							
Cr.Suisse (Gibraltar)◆	100bn	1993	3.6	12⅝	101.45	Banca Naz.del Lavoro	12.044
LUXEMBOURG FRANCS							
Kredietbank Int. Fin.★★◆	300	1994	5	Zero	66½	Kredietbank Int.	8.501
YEN							
Christiania Bank(f)★★◆	28bn	1994	5	6¾	101⅞	Morgan Stanley	6.301
Skopbank◆	10bn	1992	3	5¾	101⅜	IBJ Int.	5.243
World Bank(q)◆◆	10bn	1994	5	(q)	101½	LTCB Int.	-
CIBC◆	10bn	1992	3	5.7	101¼	LTCB Int.	5.239
Skand.Enskilda Bnkn(r)◆	3bn	1991	2	7	101⅛	Nippon Credit Int.	6.383
Skand.Enskilda Bnkn(r)◆	2bn	1991	2	6½	101⅛	Nippon Credit Int.	5.867

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Reverse dual currency issue. ◆Final terms. a) Launched in Asia. b) Conversion price Fl51. Exchange rate SFr0.7785 per Fl. Call from Nov. 1992 at 102 declining ½% p.a. c) Yield to put 3.426%. d) Yield to put 3.421%. e) Yield to put 3.473%. f) Coupon payable in A$. g) Yield to put 3.426%. h) One month Bankers Acceptance rate flat. Call at par from Nov. 1991 and every six months thereafter. i) Fungible with £100m bond launched 1988 from Nov. 16. Issue price plus accrued interest. j) Yield to put 3.52%. k) Yield to put 3.437%. l) Yield to put 4.80%. m) Yield to put 3.429%. n) Yield to put 3.426%. o) May be increased to SFr150m. p) Issue price plus accrued interest. Fungible with £100m bond launched in August. q) Coupon first year 7.51% (semi-annual), 7.65% (annual) thereafter. Coupon payable in A$. r) Redemption linked to Nikkei stock index. s) 3/16 over 6-month Libor. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Tough talk fails to disturb trade

THE COMMENTS on US inflation which Mr Alan Greenspan, the Federal Reserve chairman, made to Congress last week could have sounded like the warm-up for a monetary policy so tight the economic pips would squeak.

He said the current inflation rate of 4.5 per cent was "much too high to be ignored"; a worthy, achievable goal was a rate of zero per cent.

US credit markets were not the least bit fazed, drifting through a dull, low-volume week with prices little changed. It was just the sort of tough talk they demand from the head of the central bank and, anyway, it was a line they had heard from him before. Even if they believe zero inflation can be achieved, it is too far in the future to bother most people much now.

A few voices were raised, though, to warn Mr Greenspan against aiming for such a simplistic goal. "While it would focus the Fed's attention on one key issue and clarify the Fed's final objective, the question is whether it would permit enough flexibility for a central bank and for the making of good monetary policy," said Mr Bob Brusca, chief New York economist of Nikko Securities.

The Fed's diverse roles, ranging from regulator and provider of bank reserves to proponent of steady growth and fighter of inflation, present it with too many contradictions to make one extreme goal practical. Moreover, squeezing all inflation out of the economy looks like an impossible task given, for example, the persistent and hard to treat inflation in the service sector.

"I like the Fed's mandate as it stands. Mr Greenspan's longing for a simpler goal is too dangerous for the US and the rest of the world, even if the goal is pursued slowly. Price stability, for all its vagueness, is a better target," Mr Brusca said.

Wall Street believes price stability or, better, a reduction in inflation to address Mr Greenspan's concern about inflation now appear achievable with current policies. Only unalloyed pessimists believe economic fundamentals are too dodgy or Fed policy too slack for inflation to get out of hand.

Thus the market still believes a small further easing of policy by the Fed in coming weeks is warranted by current conditions and is consistent with Mr Greenspan's goals. The move will be minor, nudging the Fed funds rate down by ¼ percentage point to a target range of between 8⅜ per cent and 8½ per cent. Such a change is largely built into prices already.

Perhaps, some argue, the Fed should underscore its actions by also shaving the discount rate by ½ point to 6½ per cent. The relationship between the two rates has got out of whack, they point out. Since the Fed last changed the discount rate – up by ½ point to 7 per cent in February – the premium of Fed funds over the discount rate has dropped to about 1.6 percentage points from 2.75 points.

Another round of encouraging economic data is needed by market players, though, to maintain their hopes of a further easing in policy. This week should bring them the manna. It is time once again for employment data and the purchasing managers' report, two of the most closely watched releases since they are the first to give a glimpse of how the economy performed during the previous month.

The purchasing managers are expected to announce on Wednesday another small slip in their measure of economic activity. Friday should bring another moderate increase of between 150,000 and 180,000 in the number of people employed. The figure for September was a little on the chunky side, at 209,000, but it was bolstered by a large number of strikers returning to work.

The best news last week was the preliminary estimate of third-quarter gross national product. It grew at a real annual rate of 2.5 per cent, a pace the Fed considers unlikely to provoke inflation. Analysts differed, though, over the unexpected surge in inventories revealed in the GNP data.

The build-up of stocks meant that real final sales rose by a disappointing 1.4 per cent. Also troubling were the 15.2 per cent rise in import and flat exports. In other words it looked as though the US economy was slipping out of balance again, with imports satisfying a growing share of domestic demand and reversing the trend of narrower trade deficits.

"The extent of the slowdown in the economy in September and, on tentative evidence available so far, in October as well, indicates that the economy is currently growing at a rate well below the 2.5 per cent figure," James Capel's economists said. They forecast GNP growth will slow to between 1½ and 2 per cent in the fourth quarter, giving the Fed ample room to ease.

In contrast, the economists at Donaldson, Lufkin & Jenrette were less concerned about inventories. Their analysis of stocks, manufacturers' shipments and final sales showed the build-up was heavy only in July. Overall, the "inventory-sales ratios remain well-balanced." In coming months the accumulation of stocks will be far more moderate in the manufacturing and wholesale sectors.

One event the markets were very glad to get behind them last week was the first auction of bonds from the Resolution Funding Corporation, the agency created by Congress to bail out insolvent savings and loan institutions. Only $4.5bn of 30-year bonds were offered the first time around, but they were only the tip of the iceberg.

Demand for them looked brisk, with the Government receiving a total of $13bn of offers for the bonds. They were priced to yield 8.15 per cent, a premium at the time of 28 basis points over the Treasury long bond.

But, in fact, most of the bonds ended up in the hands of half a dozen big New York dealers who wanted to strip them into zero coupon bonds. By the weekend zero was almost the word for the level of retail interest shown in the securities, auguring badly for the many Refco auctions to come.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.68	8.68	8.94	9.92	8.00
Three-month Treasury bills	8.03	7.80	8.01	9.03	7.15
Six-month Treasury bills	8.03	7.94	8.15	9.03	7.37
Three-month prime CDs	8.55	8.56	8.80	10.35	8.18
30-day Commercial Paper	8.60	8.50	8.85	9.95	8.05
90-day Commercial Paper	8.35	8.35	8.65	10.05	8.14

100 US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100¼	+¼	7.94	7.96	8.24
20-year Treasury	111⅝	+⅜	8.04	8.06	8.31
30-year Treasury	102⅛	+13/32	7.94	7.98	8.19

Source: Salomon Bros (estimates).

Money supply: In the week ended October 16, seasonally adjusted M1 rose $2.1bn to $789bn.

NRI TOKYO BOND INDEX

December 1983 = 100	26/10/89	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	148.67	5.60	149.05	149.82	148.09
Government Bonds	148.76	5.36	149.13	150.27	148.38
Municipal Bonds	149.89	5.87	150.29	151.37	150.01
Govt.-guaranteed Bonds	151.17	5.94	151.66	152.94	151.03
Bank Debentures	142.69	5.69	143.04	143.48	141.80
Corporate Bonds	151.99	5.77	151.95	151.72	149.94
Yen-denom. Foreign Bonds	157.50	6.18	157.31	155.73	153.61
Government 10-year†	5.30		5.24	4.98	5.00

† Estimated par yield

Source: Nomura Research Institute

Sumitomo to make Y21.9bn offering

SUMITOMO TRUST and Banking, the Japanese bank, yesterday announced an issue of 15m new shares for offering on the Euromarket, writes Rachel Johnson.

The offering will be worth about Y21.9bn.

The issue is to be co-led by one Japanese and one UK institution; Daiwa Europe, one of the "big four" Japanese securities houses, and Morgan Stanley, the US securities house.

UK GILTS

Parliament holds dealers' attention

IF IT is possible, not to mention desirable, to measure a man's worth by the movements in markets then the value of Mr Nigel Lawson, Britain's former Chancellor, was considerable.

On news of his resignation the trade-weighted value of sterling fell 2 per cent; the gilt-edged securities market fell 2 points; the FT-SE 100 Share Index fell about 40 points; and the Bank of England had to intervene significantly in both the currency and the gilt-edged market to stop even larger falls.

The cost to the credibility of British economic policy of Mr Lawson's resignation is immense. Although many in the gilt-edged market were becoming disenchanted with what was seen as his increasingly discretionary approach to policy, he commanded respect.

It is not so much that Mr John Major, the new Chancellor, is not respected – he is and his time as Chief Secretary, when he kept a tight grip on public spending, is much praised –. It is that he is seen as lacking in experience for one of the highest offices of state.

The question most asked in the market on Friday was whose man is he, Mrs Thatcher's or his own? This week Mr Major will have ample opportunity to answer that question.

He rises in the Commons tomorrow to defend the Government's handling of the economy and again on Thursday to debate European economic and monetary union.

If, as many commentators were suggesting on Friday and over the weekend, the acid test for Mr Major's credibility is his attitude to Britain's full membership of the European Monetary System then the markets should be reassured.

According to the Treasury Mr Major is a supporter of UK entry into the exchange rate mechanism of the EMS. He supports the compromise worked out at the Madrid Summit and is committed to stage one of the Delors plan for economic and monetary union. But Mr Major will probably have to say more than this. His words will be scrutinised for signs of his intellectual commitment to the EMS and Britain's role in Europe.

Is he, for example, of one mind with his predecessor that EMS membership would add extra credibility to the UK's monetary and economic policies? Does he see Britain's position in the world as a leading member of Europe or is he a little Englander?

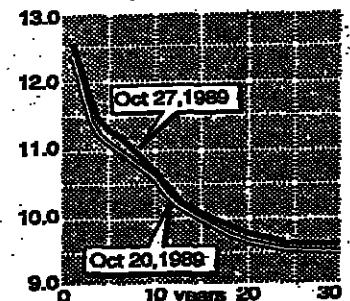
The Treasury moved quickly yesterday to scotch some of the more egregious reports in the weekend newspapers.

There will be no mini-Budget, let alone one spiced with extra mortgage interest relief, and Sir Terence Burns, chief economic adviser, is not being sacked.

It also underlined that policy remained unchanged and was

UK gilts yields

Restated at par (%)



Source: Warburg Securities

likely to do so. Mr Major had only been out of the Treasury for three months; before that he had seen everything Mr Lawson had and supported policy.

Over the weekend he had been reading up on the current state of the economy and policy. These papers review policy but officials expect no changes, especially to Mr Lawson's stance in the Mansion House speech, which has given the authorities more flexibility in the operation of monetary policy.

The gilt-edged market is no doubt going to be fixated with the goings-on in Parliament for most of this week and with the performance of the pound on the foreign exchanges. There are no big economic indicators out this week.

It is clear that the authorities intend riding out any turmoil the foreign currency markets have to offer.

The Bank was an almost continuous supplier of foreign currency to those wanting to sell sterling on Friday; there is no reason for thinking it will change.

But as Bank and Treasury officials were keen to underline, Mr Major, in his speech to his constituency on Friday evening, said he favoured a firm exchange rate. He pointed out that a weak pound would increase inflation, the defeat of which was the Government's prime aim.

By the same token the use of still higher interest rates to defend the pound is not a subject officials like to be drawn into.

For the moment, last week's 2 per cent fall in sterling is being presented as an understandable market reaction to unexpected events, not a movement justified by economic fundamentals.

The official view of the economy is that it is now broadly on track. Demand pressures are coming under control and there can be no question that the stance of both fiscal and monetary policy is tight.

From the market's point of view there is a distinct whiff of recession in the air. Although positive for bond markets in general, this change in expectations might be cancelled out by the alteration in the technical outlook for gilts.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 8½ 91	150	99¼	-⅛	9.12
ABBEY NATIONAL 8⅞ 93	150	100	+⅛	8.86
AETNA LIFE & CAS 7½ 16	200	97¼	+⅛	7.99
AHFC O/S.FIN. 11⅞ 94	100	100⅛	0	11.57
ALBERTA PROVINCE 7½ 91	750	97⅞	0	8.55
ALBERTA PROVINCE 9⅞ 95	600	104⅛	+⅛	8.47
ALCOA AUSTRALIA 11 92	80	101⅜	+⅛	10.36
[illegible]				
PROCTER & GAMBLE 10 95	150	102⅞	+⅛	9.37
PRU.RLTY.SECS 0 99	365	46½	+⅛	8.67
QANTAS AIRWAYS 8⅞ 96	97	99	+⅛	8.82
QANTAS AIRWAYS 9⅞ 96	200	105	+⅛	8.83
QUEBEC HYDRO 9⅞ 98	150	107	+⅛	8.60
QUEBEC PROV 9 98	200	102⅛	+⅛	8.59
QUEBEC PROV 13 90	150	103⅜	0	9.08
RALSTON PURINA 11⅞ 95	150	108⅛	+⅛	9.70
REYNOLDS R.J. 10⅞ 93	100	96⅛	-⅛	11.35
RICHARDSON-VICKS 11⅞ 93	125	102⅞	+⅛	10.45
ROCKWELL INT 9⅞ 90	200	100⅛	0	9.36
S.A.S. 10⅞ 95	150	104⅛	0	9.16
[illegible]				

	Issued	Bid price	Chg on week	Yield
THORN EMI 5⅞ 04 £	115	106⅛	+1	8.95

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6⅞ 93	20.0BN	101⅛	-⅛	6.36
AUSTRIA 4⅞ 94	30.0BN	96⅛	-⅛	5.77
AVON CAPITAL 6⅞ 91	26.0BN	99⅞	0	4.96
BARCLAYS O/S INV 6 95	40.0BN	101⅛	-⅛	5.75
[illegible]				

CONVERTIBLE BONDS				
[illegible]				
OMNICOM 6⅞ 04	100	101½	[illegible]	17.80
PIONEER CONCRETE 9½ 98 A$	175	80½	-2½	7.76
ROCKEFELLER CENTER 0 00	952	34⅞	+⅛	-61.45
SANWA BANK 1⅞ 02	300	94⅛	-5½	-4.43

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on 28OCT89

BNP counterbids for Thomson unit

By William Dawkins in Paris

A ROW has broken out between France's two largest nationalised banks over control of the highly-profitable finance division of Thomson CSF, the state-controlled defence and electronics company.

Banque Nationale de Paris (BNP), the largest French state-owned bank, has revealed that it is preparing a counterbid for Thomson CSF Finance, only days after the defence and electronics group announced that it was on the point of agreeing to let Crédit Lyonnais take a majority stake in the financial division, in a share exchange worth more than FFr5bn ($804m).

BNP's move was immediately stamped on by Mr Pierre Bérégovoy, the French Finance Minister, who has already approved Thomson CSF's link up with Crédit Lyonnais on behalf of the state, the main shareholder in all the companies involved.

There were no plans to change that decision, said a finance ministry official.

BNP earlier said it would act only with the state's approval – indicating that its approach must now collapse – but was not available for comment last night.

The boards of Thomson CSF and Crédit Lyonnais are both *due to approve the deal today* regardless. "This is the most complementary bank for us. Crédit Lyonnais is by far the ideal partner," said Mr Alain Gomez, Thomson CSF's chairman. "We are talking about an *expert team here. They are not* just a bunch of slaves to be haggled over," he added.

Mr François Gille, Crédit Lyonnais' finance director, said the BNP move "ignores the nature of the operation. This is not a mere bid – it is a co-op*eration agreement*, an association between two partners."

The row casts a shadow over Thomson CSF's attempts to find a friendly partner for what would be the first such link between a big French industrial company and a bank. Mr *Gomez believes the deal*, the fruit of a year's negotiations, is urgently needed to give Thomson CSF the same financial security as Japanese and West German competitors, which have traditionally had intimate *ties with big commercial* banks.

It also illustrates the urgency with which French state-owned banks are looking for ways of boosting their shareholders' funds to comply with the new capital adequacy ratios proposed by the Bank for International Settlements (BIS).

The Paris Government's present policy on nationalised industries means they cannot issue new capital in the market, like privately-owned competitors. Thomson CSF Finance would bring almost exactly the FFr5bn to FFr6bn needed by Crédit Lyonnais to comply with the BIS ratios.

CGS makes strong gain in first half

By William Dawkins

CAP GEMINI Sogeti (CGS), Europe's largest computer services group, has produced a more than 20 per cent increase in first-half profits and expects a rise of the same order for the full year.

The French company said turnover rose to FFr3.33bn ($536.2m) in the six months to June, from FFr2.76bn in last year's period.

Pre-tax earnings rose to FFr384m from FFr318m. Unusually for this highly-acquisitive company there were no significant takeovers in the first half, which means the results are fully comparable.

CGS forecast that turnover would continue growing at about the same rate throughout the current half to reach FFr7bn for the full year, a 20.6 per cent increase over 1988 revenues of FFr5.8bn.

Its net profit margin should also be the same as last year's – 6.9 per cent of turnover – implying a 20 per cent increase in annual net profits to FFr483m this year from FFr402m in 1988.

This year sees the establishment of a new organisation, Cap Sesa, resulting from the merger in January of Cap Sogeti France with Sesa, acquired at the beginning of 1988.

UAP leaps 19% to FFr2.47bn

By George Graham in Paris

UNION DES Assurances de Paris (UAP), the largest French insurance company, has reported a 19 per cent rise to FFr2.47bn ($397.7m) in interim net profits.

Consolidated premium income totalled FFr31.4bn, up 9 per cent from the first half of 1988, with more than a third of this coming from overseas operations.

Life insurance activity climbed by 16 per cent to FFr14.3bn, while non-life insurance rose 4 per cent to FFr17.1bn. The group increased its technical provisions by 15 per cent to FFr190.6bn.

Profitability improved in both foreign and domestic operations, especially in the life and fire and accident divisions. Operating conditions in the non-life market showed a marked improvement, leading to an advance in current income, while the group recorded a rise in realised capital gains.

The merger of UAP's reinsurance subsidiary with Scor, the leading French reinsurer, will not appear in the accounts until the second half. The purchase of Allsecures of Italy will also not take effect until the second period.

The group's stake in Sun Life, the UK insurance group, rose above 20 per cent in the first half, but the holding is still not consolidated.

UAP said its first experiment in cross marketing of banking and insurance products with Banque Nationale de Paris, the state-owned bank with which it has signed a far-reaching co-operation agreement, would begin on November 6.

Bank Leu forecasts earnings upswing

By John Wicks in Zurich

BANK LEU, one of Switzerland's big five banks, expects a profits turnround this year. In 1988 net earnings had dropped by 25.2 per cent to *SFr45.7m ($28.6m), due to* reduced income for securities trading and precious metal dealing transactions and a loss on the part of the New York branch.

Like other "Big Five" banks, the Zurich-based institution now reckons with a rise in profits for calendar 1989, following good results for the first three quarters.

In the third quarter, Bank Leu recorded a rise in earnings for "practically all operations," with a continued upswing in net interest and various commission and trading sectors, other than commissions on new issues.

The balance-sheet total *expanded to SFr15.19bn by the* end of September, compared with SFr14.85bn at the end of last year. Loans to clients increased slightly over the quarter, by 0.7 per cent to SFr5.25bn, although customer deposits fell 2.5 per cent to SFr7.26bn.

● Ciba-Geigy, the Swiss chemicals group, is to become the sole owner of Ciba Corning Diagnostics, of Medford, Massachusetts. Ciba-Geigy, which already holds a 50 per cent stake in the company, has signed a letter of intent to purchase the remaining 50 per cent of shares currently held by Corning, the US concern.

Ciba Corning Diagnostics, *whose 1989 turnover is put at* "slightly under $300m," supplies the international medical community with clinical diagnostic systems and related products, employing some 2,500 people worldwide.

The Swiss company bought into Corning's operations in this sector in 1985. Corning will, in future, concentrate on its laboratory services businesses, while Ciba-Geigy strengthens its presence in diagnostic systems and related products.

PSA climbs 12% but warns on strike loss

By William Dawkins

PSA, the French car producer grouping the Peugeot and Citroën companies, yesterday *reported a 12 per cent rise in* first-half net profits and warned that the seven-week strike at Peugeot had taken a provisional FFr3bn ($483m) out of the second half's sales.

The group, France's largest *private company, increased its* turnover by 14 per cent to FFr81.06bn in the six months to June, from FFr71bn in last year's corresponding period.

Attributable net profits, up from FFr4.06bn to FFr4.55bn, were below most Paris analysts' forecasts. This was a result of higher exceptional charges, although the figures do not reflect the impact of the wage dispute, the worst in the car maker's history.

PSA was unable to quantify how the loss of between 55,000 and 60,000 cars would eventually hit full-year profits as it was unclear how much of the delayed production would be made up for by December. "The message is that underlying growth is proceeding at a normal rate," the group said.

Interim operating costs rose 14 per cent to FFr71.62bn from FFr62.84bn in 1988 reflecting the impact of launch costs for the new Peugeot 605 and Citroën XM models, accounting changes for write-offs for out-of-date tools, and increased retirement payments.

PSA's industrial investment budget also rose sharply, from *FFr4.8bn in the first half of* 1988 to FFr5.9bn.

The group's net margin, however, is the same as the *comparable period of last year*, at 5.6 per cent of turnover.

George Graham adds: Usinor Sacilor, the French state-owned steelmaker, has doubled interim pre-tax profits to FFr4.55bn and is forecasting profits for the full year of about FFr8bn. *Total sales*, at FFr48.4bn, were 20 per cent higher than in last year's period.

The group returned to the black in 1988 for the first time in 15 years, with pre-tax profits of FFr5.02bn.

Agnelli repurchases 23% holding in Ifi

By John Wyles in Rome

GIOVANNI Agnelli, the Agnelli family's private holding company, has repurchased the 23 per cent of Ifi, the Agnelli-controlled financial holding company, whose sale in June to Mediobanca for L303bn *($225m) was revealed less than* three weeks ago.

According to information disclosed at Mediobanca's annual meeting at the weekend, the Agnelli family holding will pay L332.9bn to re-acquire the package – but not until *June next year.*

The manoeuvre will add to the general puzzlement about the real purpose of the movement of Ifi stock. The Agnellis said they had sold the package to Italy's leading merchant bank to help finance the L2,241bn takeover of the Galbani food group by Ifil, controlled by Ifi, and BSN-Danone.

They also said they were determined to repurchase the Ifi stock which, under the agreement with Mediobanca, could have been acquired by third parties from December 1990.

Some experts believe that tax advantages were at the root of the exercise which has, *for many people, again demon*strated the ease with which Mediobanca, albeit at a price, can be called on to serve the interests of Italy's most powerful family.

Rio Algom third-quarter profit slows to C$11.8m

By Kenneth Gooding, Mining Correspondent

RIO ALGOM, the 51.5 per cent-owned Canadian subsidiary of the UK's RTZ Corporation, reports a 60 per cent drop in third-quarter net profit, from C$30.02m (US$25.54m) or 68 cents a share to C$11.81m or 25 cents.

The fall was mainly due to the 15-week strike at Highland Valley Copper in which Rio Algom has a direct 33.6 per cent interest. The company also blames lower margins in its metals distribution businesses and lower profits from its steel manufacturing *operations*, which were *sold* on August 1.

Rio Algom already has an idea how to spend some of the C$250m from the steel sale. It has signed letters of intent to buy Uranium Resources (URI) for about US$66m and Whittaker *Metals for about US$30m.*

URI produces uranium in south Texas, while Whittaker distributes steel, aluminium and other metal products from four facilities in Texas, Louisiana and Oklahoma.

Rio Algom has declared a semi-annual dividend of C$0.525 cents a share, taking its 1989 annual dividend to C$0.95, compared with C$0.70 paid in 1988. This is in line with the company's revised dividend policy which recognises Rio Algom's increasing emphasis on its mining activities. It also implies that future *dividends will be tied* more directly to earnings achieved.

Third-quarter revenue fell from C$475.1m to C$333.6m. For the first nine months revenue fell from C$1.45bn to C$1.36bn and net earnings dropped from C$90.1m or *C$2.03* a share to *C$80m* or C$1.76.

Teck up at nine months

TECK CORPORATION, the Vancouver-based mining group, posted a 16 per cent *gain in profits in the first nine* months, a result of higher base metals prices and gold output, Robert Gibbens writes from Montreal.

However, profits in the third quarter fell 9 per cent following a 13-week strike at the Highland Valley Copper mine.

Nine-month earnings were C$82.6m (US$70.5m) or C$1.02 a *share, up from C$71.4m or 91* cents a year earlier. Revenues climbed 21 per cent to C$315m from C$260m. Third-quarter profit was C$24.2m or 30 cents a share, against C$26.4m or 34 cents on revenues of C$105m against C$92m.

RJR to sell three sweet businesses to Nestlé

By Martin Dickson in New York

RJR NABISCO, the US tobacco and food group which is raising cash to cut its debt burden, is to sell three US confectionery businesses to Nestlé, the Swiss foods group, for $370m.

The three businesses – Baby Ruth, Butterfinger and Pearson – are part of RJR's Planters LifeSavers company. An RJR representative said this was a strategic divestiture, in that the businesses held only a small share of their markets. Selling them would help Planters LifeSavers concentrate on its core nuts and confectionery businesses, in which it was a market leader.

Nestlé said the businesses would complement its other US confectionery brands, which include Crunch and Chunky.

The sale will bring to $5.3bn the amount RJR has raised from asset sales since its record $25bn leveraged buy-out.

The target is to raise $5bn by February of next year and $6bn by the following August.

The sale price was above analysts' expectations and produced a rally in the junk bonds issued by RJR to finance its buy-out. The bonds had been trading near their 52-week low.

Mobil axes 400 jobs in US

By James Buchan *in New York*

MOBIL, the second largest US oil company, has announced it is cutting the workforce in its domestic exploration and production business, in the face of declining prospects for the US as an oil and gas region.

The move follows a cutback at British Petroleum's US upstream operation and could herald a round of job cuts across the US industry.

Mobil Exploration and Producing US, the operation responsible for finding and developing domestic oil and gas fields, said yesterday it planned to cut its workforce by 8 per cent or about 400 people.

This is to concentrate production staff near fields with the biggest potential.

UK COMPANY NEWS

Pembridge denies DRG reports

By Andrew Hill and Clare Pearson

MR ROLAND FRANKLIN, joint chairman of Pembridge Investments, yesterday denied reports that the Bermuda-based vehicle, which is bidding £697m for DRG, would suspend many of the paper and packaging company's research and development programmes and run the business for cash.

"Pembridge is committed to do all it can to develop and improve those operations that it controls," said a statement.

But Mr Moger Woolley, DRG's chief executive, said yesterday that he was still sceptical about Pembridge's ability to support itself without cutting back on expenditure, if the leveraged bid were successful.

By the second closing date on Friday, Pembridge had received valid acceptances in respect of a further 3.1 per cent of the shares in DRG. It now speaks for 36.1 per cent of the target, which makes Sellotape and Basildon Bond stationery.

Pembridge is today expected to extend its hostile bid until Friday, having delayed the decision because of continued market volatility and economic uncertainty.

Mr Franklin said last week:

Alan Harper

Moger Woolley: still sceptical about Pembridge's ability to support itself without cutting back on expenditure.

"There is a strong likelihood that we will extend, but we have to bear in mind that these are dangerous times." If it were continued, the bid was likely to be renewed on a weekly basis, he said.

DRG is likely to publish a profits and dividend forecast and a statement of dividend policy this week.

Mr Woolley said yesterday: "There is quite clearly a greater interest in income today than there was, and we can afford to have less [dividend] cover that we have got at the moment. So we will be paying some attention to that and we will also be clarifying exactly what the property issue is."

The amount of surplus property available for disposal and the way it is valued have become central arguments in the bid. DRG's interim profits were boosted by a large property profit.

Mr Franklin has even begun to circulate his criticisms of DRG's strategy on property disposals in the form of a fairy tale, lampooning the bid target.

Pembridge, which swooped into the market to boost its own holding to 29.4 per cent two weeks ago, is unable to buy more shares before the bid receives clearance from the Office of Fair Trading.

The OFT continues to consider the matter after receiving what is believed to be a mass of information and correspondence on public interest as well as competition aspects of the bid.

Taking into account convertible bonds in DRG held by Pembridge and concert parties, Pembridge now speaks for 37.7 per cent of DRG's ordinary share capital.

On Friday DRG's shares closed 6p lower at 565p, 30p below the level of the bid.

COMPANY NEWS IN BRIEF

AMERICAN BUSINESS Systems has acquired Copy & Litho of Texas for $2.25m (£1.4m) cash.

BECKENHAM GROUP, the USM quoted ductwork and electrical services company, has disposed of the assets, undertaking and business of Curtis Tools to Hawklimit for a consideration of £1.2m to be satisfied by the payment of £800,000 cash and by the issue of 400,000 £1 cumulative redeemable preference shares 1994.

EUROPEAN LEISURE has acquired a nightclub and bar complex in Hartlepool, Teeside for about £300,000 cash.

EWART: ABN Nominees (Ireland), under the name of WSCL, holds 4.66m (25 per cent); Pprudential Corporation Group holds 1.7m (9.18 per cent); PD Whyman holds 1.2m (6.48 per cent); JJ McIlroy, a director, holds 1.11m (6.01 per cent).

FLOYD ENERGY has agreed to acquire Quoteford Engineering following the grant of effective permission for the shares being issued as consideration to be dealt in on the USM. Quoteford is a structural steel company and the initial consideration is £1.4m in shares, with further consideration up to a maximum of £2.6m, dependent on post-tax profits.

HEADLAM GROUP: Govett Strategic Investment Trust has acquired 1.49m ordinary shares (14.99 per cent). On the same day, Polder Investments sold 480,369 shares and no longer has a notifiable interest. District and Urban Investments, has sold 1.01m shares. This reduces its holding from 11.33 per cent to 1.17 per cent.

LONRHO has made a major expansion of its property interests in the Federal Republic of Germany by the acquisition of a company based in Stuttgart owning over over 4,400 flats located mainly in Heidelberg, Mannheim and Stuttgart, together with a design and construction management company based in Hamburg with offices in several major German cities.

MERGER CLEARANCES: The Trade Secretary has decided not to refer to the MMC the proposed acquisition by MB Group of Caradon; the purchase by Jenks and Cattell of Bulldog Tools; the acquisition by Suntory of a 35 per cent interest in Morrison Distillers, and the purchase by Forsakrings AB Skandia of assets of Reinhold Castilla, namely Reinhold Hotel Investments, Reinhold (College Hill) and Reinhold (St Dunstans).

PLATON INTERNATIONAL: Mr James Butterfield, chairman, told AGM that the instrumentation and flow-technology group had been in profit from the beginning of the financial year, and was achieving budgets and generating cash from trading operations.

RBC FAR EAST and Pacific: Income from investments and bank deposits (net of withholding tax) $114,939 ($154,670). Net deficit for the six months to September 5 1989 $13,945 ($52,299 income). Deficit available for distribution $8,566 ($51,282 income). Loss per participating redeemable preference share $0.03 ($0.11 earnings).

SPECTRUM has agreed to acquire the issued capitals of Crown Data and Trade Computer Supplies for a consideration of up to £345,000. An initial tranche of £295,000 will be paid on completion, £75,000 to be satisfied in cash and the remainder in Spectrum shares.

STEAD and SIMPSON: Clayform Group has received acceptances of 96.8 per cent in respect of its offer for Stead and Simpson 'A' ordinary shares. The special interim dividend of 6p (net) per Stead share will be paid to shareholders registered by August 31 on October 30.

SUTTON DISTRICT Water Company: All resolutions proposed at the separate general meetings and egm were passed. The conversion to plc status is now conditional inter alia on the making of an order by the Secretary of State for the Environment, which the company anticipates being made not later than December 21 1989.

TURRIFF CORPORATION has acquired Express Insulation for £301,000 cash. Express specialises in the field of asbestos removal

ICH facing bid move to take it private

By Nikki Tait

SHARES IN International City Holdings, the UK financial services company which specialises in money and foreign exchange broking, jumped 9p to 54p on Friday after it disclosed a possible bid approach.

It came from Domeaction, a newly-formed company representing Mr Michael Phelan and Mr Patrick Coffey. Both men have previous careers in money-broking and are being advised by Charterhouse.

If a deal was to go ahead, it would essentially take the form of a leveraged management buy-in.

Domeaction said it was seeking discussions with ICH directors "with a view to obtaining their support in connection with proposals which may or may not lead to an offer being made."

Mr Phelan said that if a successful bid was made, the aim would be to take ICH private, losing the quote. Domeaction would then concentrate the business on the core money-broking activities.

However, the initial reponse from ICH, which announced £1.95m pre-tax loss in the first half of 1988-9 and has seen numerous board changes recently, was frosty. It noted the announcement, said it was consulting advisers and advised shareholders not to sell their shares.

ICH's full-year figures are due out tomorrow and the company's new chairman, Mr Michael Warren, said he thought no serious dicussions would take place until that information had been released. Both sides conceded that there had been informal liaison already, but Mr Warren described this as nothing more than superficial contact. Domeaction also said it had acquired a conditional option to purchase about 4 per cent of ICH, but declined to give further details.

Throgmorton Trust, which holds a key 27 per cent stake in ICH, said only that it was waiting to see how the situation developed.

There is understood to have been some contact between Domeaction's advisers and Throgmorton in the past, but the trust said yesterday that there had been no recent discussions in advance of the announcement.

Any offer would also be subject to Bank of England approval - with the bidders needing to show that they were "fit and proper" owners for a money broking business, and that there would be adequate capital resources.

Mr Phelan started his career in money broking at R. P. Martin & Co, becoming a partner in 1969. In 1975, he became chairman and managing director, but left in 1983, two years after RPM had merged with the German-based Bierman Group. Mr Coffey was recruited by Mr Phelan to be president of R.P. Martin in 1980, where he remained for three years. In 1983, he set a joint venture with Prebon Money Brokers, to establish an office in Panama - a venture that was terminated in 1985. Mr Coffey then started a new New York-based money broking business for S&W Berisford (now Berisford International), but left earlier this year.

At Friday's closing price, the company has a market capitalisation of about £36.7m.

Caparo hits back at Armstrong Equipment defence document

By Andrew Hill

CAPARO GROUP, the private holding company bidding £96m for Armstrong Equipment, yesterday hit back at the industrial fastener and engineering company's defence document.

The latest Caparo letter – headed "Armstrong – Time to Face the Facts" – reaches Armstrong shareholders at the beginning of a busy week for the bid target. On Wednesday, Armstrong holds its annual meeting and the group has until Friday if it wishes to issue new financial information, such as a profits forecast for 1989-90.

Caparo already owns 29.3 per cent of Armstrong and had added only 0.8 per cent at the first closing date two weeks ago.

Mr Swraj Paul, who heads Caparo, said in the latest letter to fellow Armstrong shareholders that he had been "saddened to see rhetoric substituted for reasoned argument and, above all, to see the studied avoidance of the key concerns raised in our offer document."

The letter claims that margins on Armstrong's continuing businesses fell in 1988-89 "despite boom conditions", and that Armstrong's board has failed to produce a credible strategy.

Mr Paul said: "With business confidence now at a seven year low and an increasing number of industrial companies issuing profits warnings we are no longer prepared to risk our investment with the current board – nor should Armstrong shareholders."

In the past, Mr Roy Watts, Armstrong's chairman, has argued that the company's strong balance sheet puts it in an good position to take advantage of opportunities.

Armstrong's shares closed at 177p on Friday, 3p beneath Caparo's cash offer of 180p.

Coombe lifts Clifford stake

CLIFFORD FOODS, the dairy products, fruit juice, convenience foods and milk round group, announced that Coombe Farm Foods had increased its shareholding to 13.05 per cent by purchasing 150,000 shares, 6.7 per cent.

Coombe Farm Foods is also a dairy products group. Clifford Foods shares fell 5p to 470p on Friday, valuing the group at £10.5m.

Mr Simon Oliver, chairman of Coombe Farm Foods, said he thought the shares were a good investment and the food business had a lot of defensive qualities. He said Clifford Foods is a family-controlled company and Coombe Farm Foods was not about to launch a takeover bid.

Clifford Foods said Coombe Farm Foods had been an investor for some time, its holding reaching 5 per cent in October 1988. Mr Oliver had been to lunch at Clifford Foods two weeks ago, after Clifford Foods had announced a fall in interim profits from £2.68m to £1.35m.

Norwich Union expansion

By Patrick Cockburn

NORWICH UNION, the insurance company, has bought Onello Apuzzo SpA, its agent for non-life insurance in Italy, for L28bn (£13m).

Norwich is also taking over a large proportion of the business which Gruppo Tirena currently markets through the Milan-based Onello Apuzzo from the end of 1989.

This will give Norwich entry into the Italian motor insurance market.

Mr Bob Burke, Norwich Union's general manager for Europe, said this "will give us an annual turnover in Italy of £23m and provide us with a very firm base for future expansion in the Italian market."

The move is in keeping with widespread interest on the part of UK insurance companies on prospects for business in Italy in the run up to the establishment of the single European market in 1992.

In contrast to north European countries Italy is seen as underinsured.

SHARE STAKES

The following changes in company share stakes have been announced recently:

ATP Communications: Mr A.R. Thirkill, chief executive, has bought 100,000 ordinary shares at 30¾p, bringing his total to 1.72m (13.4 per cent).

Berkeley Govett: CDFC Trust has sold its holding of 3.88m Berkeley Govett ordinary (5 per cent) and no longer has a declareable interest.

Builder Group: EMAP has bought a further 120,000 ordinary shares, bringing its total holding to 1.82m (11.05 per cent).

de Morgan Group: PK English Trust, both on a discretionary and non-discrertionary basis, has 972,000 ordinary (5.77 per cent).

Gander River Resources: Viscaya Holdings owns 1.1m ordinary (7.13 per cent), with 881,850 (5.72 per cent) acquired from London Securities.

Jarvis: Martin Jack Reuben acquired 5,000 ordinary at 120p per share making a total holding of 1.38m (7.39 per cent). They areregistered in the name of Dobell Finance.

Micro Focus Group: Mr Brian Reynolds has sold 100,000 shares at 360p each, his beneficial interest now stands at 2.12m (16.95 per cent).

Morrison (Wm) Supermarkets: KD Morrison has transferred 75,000 shares from his personal holding into family trusts. They will remain part of his beneficial interest in the company. The transaction, at 146p per share, leaves his personal holding at 26.86m ordinary (14.3 per cent).

Oceana Development Investment Trust: Dawn Glow Investments has acquired 365,000 ordinary shares (6.77 per cent).

Record Holdings: AA Taberner, director, bought 70,000 ordinary at 92p and holds 1.49m (5.81 per cent).

Schroders: Wimtwo, controlled by WI Turner, a Schroders' director, acquired 100,000 ordinary at £13.5 each.

G W Thornton: South Yorkshire Pensions Authority has increased its holding to 433,000 shares (6.6 per cent).

Trans World Communications: Owen Oyston bought a total of 3,500 shares at 490p each and 5,000 at 500p, bringing his holding to 2.98m (26.8 per cent).

Trust of Property: TR Property Investment Trust is the beneficial owner of 380,000 ordinary shares (6.38 per cent).

FINANCIAL TIMES STOCK INDICES

	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 20	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.37	85.31	85.21	84.88	84.66	84.59	89.29	83.75	127.4	49.18
Fixed Interest	93.67	94.06	94.04	94.05	94.05	93.74	99.59	93.20	105.4	50.53
Ordinary	1678.5	1720.5	1751.9	1739.3	1772.6	1761.0	2008.6	1447.8	2008.6	49.4
Gold Mines	209.5	198.8	195.8	195.1	196.3	197.3	215.2	154.7	734.7	43.5
FT-Act All Share	1052.55	1075.51	1089.74	1084.01	1102.34	1097.64	1225.80	921.22	1238.57	61.92
FT-SE 100	2082.1	2129.4	2161.9	2149.3	2189.7	2179.1	2426.0	1782.8	2443.4	986.9

UK COMPANY NEWS

The High Street empire under attack

Maggie Urry on a French solution to Sir Terence Conran's Storehouse problems

HABITAT is the very foundation of the Storehouse empire. Sir Terence Conran, Storehouse's chairman, opened the first Habitat shop 25 years ago to provide an outlet for the furniture he was making.

On it has been built the retail group which takes in BhS, Mothercare, Richards, Heal's and many other high street names.

But that empire has been under attack, as profits have fallen and threats of a break up bid have waxed and waned. Habitat, now combined with Heal's in the group's home furnishings division, has also seen profits drop because of its UK business. Most retailers of furniture and furnishings are finding sales hard to come by in the UK, but Habitat has itself to blame for many of its problems.

Mr Michael Julien, who was brought in as chief executive of Storehouse in mid-1988, in turn appointed a new chief executive of the home furnishings division in May this year – Mr Michael Harvey. He can speak with the frankness of a newcomer about Habitat's problems.

Mr Harvey illustrates Habitat's difficulties with a simple statistic. Habitat UK and Habitat France have the same turnover. Yet the UK chain has 59 stores and 1m sq ft of sales area, while Habitat France has 29 shops and 500,000 sq ft of selling space. The French business is the star performer in the Storehouse group.

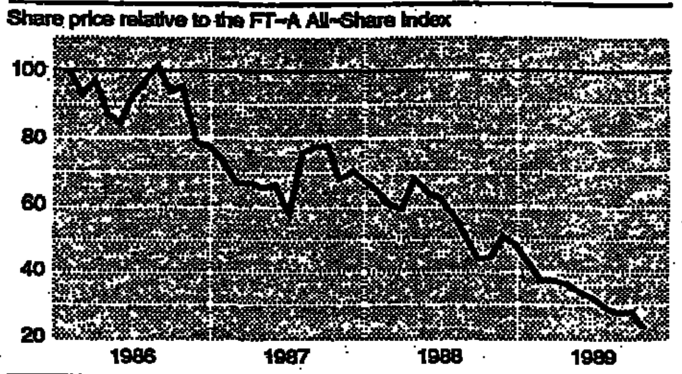
Habitat operates in the US as well, with the three areas run autonomously. In the UK, Mr Harvey says, Habitat grew up in a haphazard fashion, with stores often sited in secondary locations. By contrast, the French business developed in a different way. Prime sites were taken in town centres, where the shops concentrated on smaller items, with limited furniture sales generating a higher sales density in the relatively expensive space. Out-of-town sites were found for Grand Habitat stores where the furniture could be displayed and sold from cheaper space.

Mr Harvey says: "Habitat France is the model for the business." Experiments have begun in the UK testing a similar idea. Ranges, which have proliferated without really offering customers a better choice, are being replanned. Poor stock control has meant that customers could not find the goods they wanted.

A high rate of shrinkage – which includes damage and display markdowns as well as theft – is being tackled. A £4m computer system is being installed to keep a better track of stock and the double handling of goods will be reduced by cutting the number of warehouses. Here again Habitat France shows the way – it has one large warehouse compared to more than half a dozen in the UK.

Storehouse

Share price relative to the FT–A All-Share Index



Mr Harvey is convinced that Habitat UK can be returned to "significant profitability without any improvement in the market. The solution is in our own hands," he says. He reckons it will take about a year, but says he is confident because it is all a matter of imposing basic retailing skills on the business. He believes that the Habitat brand although damaged by the group's problems is resilient and still holds appeal.

Meanwhile, Habitat France is continuing to expand. Last week saw the opening of the first store in Spain, in Barcelona, which will be run from the French operation. Mr Gilles Oudet, head of Habitat France, reckons Spain could support 15 to 20 Habitat stores, and that the first six to eight could be opened fairly rapidly with stock delivered from the French warehouse. If Spain is a success, a second warehouse might be opened inthe south of France which could also supply a business in Italy. Mr Oudet is currently considering how best to attack the Italian market, with a joint venture the most likely route. Mr Oudet thinks Habitat France's success has come from its autonomy and its ability to adapt to the local market. Less than 20 per cent of the goods are common to the UK and French business. Trying to sell the British range in the French shops would be disastrous.

The US business has "enormous potential," Mr Harvey predicts. Although the US chain has not caused Storehouse any problems, it has never made significant profits. "The issue is the business is much too small," he says. There are 16 shops mostly on the East coast; a store in Los Angeles opened in May. Mr Harvey admits there is some tinkering to be done with the formula in the US but hopes that a faster rate of expansion can be achieved as Habitat shops are opened in the all-important shopping malls.

While each region maintains its autonomy, a central buying organisation has been formed in order to develop the core ranges, common across frontiers, and to buy these ranges more efficiently. With three different businesses often buying from the same supplier but not combining orders, there are savings to be made.

"Habitat has a fairly nationalistic culture, it has not been managed as an international business," Mr Harvey says. "Habitat is an international brand, and to realise its potential we must change the way of operating it."

Guernsey Press defence salvo

By Jane Fuller

GUERNSEY PRESS, the private publishing company facing a hostile bid from its Jersey neighbour Guiton, has fired off several rounds of ammunition in its defence document.

It attacks what Guiton describes as the commercial logic of a merger, disputing the benefit, for example, of installing joint ownership of two fiercely independent newspapers and of combining its book publishing with Guiton's envelope printing.

Guernsey also casts doubt on the value of Guiton's 102-for-100 all-share offer. Last week the prices of both stocks, in which the thin trade is on a matched bargain basis, changed – for the first time since well before the bid was launched.

With Guiton's price increasing 5p to 255p last Friday and Guernsey's rising 40p to 240p, the offer values the target's shares at 260p each giving a total figure of about £15m.

However, the defence document has stoked up the row about the value of the offer. Guernsey points to an extraordinary increase in Guiton's share price, from what it says was "an equivalent price of only 32p" in March 1988.

Mr Frank Walker, Guiton's managing director, responded angrily that the price was 91p at that date and said the discrepancy exposed a fundamental flaw in Guernsey's argument.

Guernsey defends itself against Guiton's accusations of poor performance by saying that last year's slip in profits to £738,000 was related to investment in a new factory.

It stresses its investment record, which it says is reflected in its net assets total of £5.76m, compared with a figure of £3.96m for Guiton.

Channel Tunnel

Channel Tunnel Investments, investment company, reduced pre-tax losses to £2,633 (£5,431) in the six months to June 30. Losses reflected cost of ongoing administrative overheads and those connected with actions being taken to optimise company's assets.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Glencar Expln. (Section: Third Market)

Lynx Hldgs. (Industrials)

WPP Grp. Cv. Rd. Pf. (Paper)

Westminster Scaffolding Grp. (Buildings)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Cambridge Instrument Medirace, Rowe Evans, Triefus, Usborne.

Finals- GBC North America, Video Tape Recording.

FUTURE DATES

Interims-

British-Borneo Petrol	Nov. 2
Cable & Wireless	Nov. 22
Chelsea Artisans	Nov. 1
Coloroll	Nov. 16
Gresham House	Oct. 31
Oxford Instruments	Nov. 8
Shanks & McEwan	Nov. 27
Walker &n Staff	Nov. 21
Warnford Investments	Nov. 2
Yale & Valor	Nov. 9

Finals-

Colorgen Inc	Dec. 18
Compass	Dec. 14
Northern American Trust	Nov. 28
Strata Investments	Dec. 15
Unigroup	Oct. 31

NEWS DIGEST

Alpine Grp results on the upturn

Alpine Group, formerly Alpine soft drinks, which underwent a major board change in August, has announced a trading loss up from £436,000 to £782,000 for the first half of 1989.

Mr Andrew Greystoke, the new chairman, said that the three months to September have shown a marked improvement following the start of an agreement with Britvic Soft Drinks in July. He said that the core business of Alpine will shortly break even.

A number of potential acquisitions are being studied in businesses related directly and indirectly to the company's core business.

PUBLIC WORKS LOAN BOARD RATES

Effective October 25

	Quota loans repaid			Non-quota loans A* repaid		
Years	by EPT†	At††	at maturity§	by EPT†	At††	at maturity§
1			13½			14¼
Over 1 up to 2	13⅛	13⅛	12⅛	14⅛	14⅛	12⅞
Over 2 up to 3	12½	12⅜	11⅝	13½	13⅜	12⅜
Over 3 up to 4	12	11⅞	11⅜	13	12⅞	12⅛
Over 4 up to 5	11¾	11⅝	11¼	12¾	12⅝	12
Over 5 up to 6	11½	11½	11⅛	12	12	11⅝
Over 6 up to 7	11⅜	11⅜	11⅛	11⅞	11¾	11⅝
Over 7 up to 8	11¼	11¼	11	11¾	11¾	11½
Over 8 up to 9	11¼	11⅛	10¾	11¾	11⅝	11¼
Over 9 up to 10	11⅛	11⅛	10⅝	11⅝	11⅝	11⅛
Over 10 up to 15	11	10⅝	10¼	11½	11⅛	10¾
Over 15 up to 25	10⅜	10⅛	9⅞	10⅞	10⅝	10⅜
Over 25	10	9⅞	9¾	10½	10⅜	10¼

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Bertam declines by £1m to £560,000

Bertam Holdings, the plantations operator 34 per cent controlled by Rowe Evans Investments, suffered a sharp decline of more than £1m in taxable profits in the first half of 1989 to £560,000 (£1.59m) pre-tax. In 1988 profits had risen from £730,000 to £2.54m.

The main reason for the fall was that only £1,000 was gained from the sale of fixed assets, against £784,000 last time. Turnover was down at £601,000 (£781,000).

After tax of £166,000 (£535,000), earnings came out at a lower 1.97p (5.25p).

Associates push Clayton lower

Lower pre-tax profits of £114,785 against a previous £167,090 were announced by Clayton, Son & Co (Holdings), bulk storage manufacturer, for the six months to June 30.

The fall was due to an increased share of losses of £58,393 (£2,704) from its associated companies.

The directors are holding the interim dividend, however, at 2.2p, payable from earnings per 50p share of 3.81p (4.84p). Turnover improved to £5.77m (£5.23m).

London Scottish in Cattle's buy

London Scottish Bank has purchased a 5.2 per cent holding in Cattle's (Holdings), the consumer credit financier, at 52p. The shares were acquired as a long term investment in a company operating in the same sector as London Scottish, directors said. Of the the 3m shares, 500,000 were purchased through the group's pension fund.

Bear Brand shows fall to £11,000

Bear Brand, the hosiery group in which Mr Nick Oppenheim, chairman, has a large stake, has announced a profit, before tax, of £11,000 for the first six months of this year, compared with £188,000, on a turnover ahead from £3.8m to £4.25m.

No improvement in group operating results is expected until next year.

Hestair purchase

Hestair has acquired Regency Temporaries, a temporary employment agency based in Florida, for $2m (£1.3m) cash plus earn-out payments up to $3m based on results for four years to January 31 1993.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1						01-407 4404
Wellington Income	5¼	129.0	129.0d	138.9	5.62	41593
Wellington Growth	5¼	212.7	212.7d	228.2	1.38	41594
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW						0202 299432
Wessex UK Gwth	4½	101.2	105.0	109.2	5.22	41595
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT						01-606 3132
Challenger ♦ F	2½	60.35	60.35	62.02	10.27	41596
Short Dat Gus ♦ F	1¼	81.55	81.55	82.66	6.89	41597
U.S. Govern Bond ♦ F	1¼	.5745	.5745	.5821	10.00	41598
Willbro Financial Services Ltd (0905)F						
PO Box 535 Austin Friars, London EC2						01-588 7511
Aust Friars W'wide	5	187.3	189.6	201.7	2.62	40657
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Comtbl & Equity	5	57.47	60.78	64.66	7.31	41599
European	5	74.53	74.96	79.74	0.10	46303
Far Eastern	5	64.13	66.82	71.08	0.62	46304
Growth Inc	5	73.96	77.66xd	82.61	1.64	41600
Growth Acc	5	74.03	77.73xd	82.69	1.64	40998
Income Inc	5	71.61	74.05xd	78.77	5.38	41601
Income Acc	5	71.71	74.15xd	78.88	5.37	46497
Property Share	5	46.71	46.71	49.79	1.14	41602
Smaller Co's	5	48.97	48.97xd	52.19	1.09	41603
Nth American	5	62.81	62.81	67.17	1.64	41209
International	5	48.49	48.49	51.86	1.44	41210
Asset Value	5	149.57	149.57	159.96	4.43	41044
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY						01-588 0592
Intl Growth	5	110.55	110.55	116.97	4.03	41604
UK Growth	5	90.35	90.35	95.10	3.15	–
UK Income	5	93.11	93.11	98.01	4.39	–
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	54.58	54.58	60.32	2.99	41605
YUTM UK Gwth Inc Fd	5¼	53.79	53.79	58.93	5.09	41606
YUTM Intl Gwth Tst	5¼	55.43	55.43xd	59.16	0.75	41195

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
Albany Life Assurance Co Ltd – Contd.				
European Fd Acc(z)	263.4	277.2	–	41695
Intl Fxd Int Fd Acc(z)	209.9	220.9	–	41698
Fixed Int Acc(z)	350.6	369.0	–	41694
Gtd Money Fd Acc(z)	241.7	254.4	–	41695
High Income Fd Acc(z)	110.2	116.0	–	41696
Intl Man Fd Acc(z)	422.0	444.2	–	41697
Japan Fd(z)	312.9	329.3	–	41699
UK Smllr Co's Fd Acc(z)	111.0	116.8	–	41704
Eurodex Metro	118.2	124.3	–	47025
Global Metro	106.1	111.6	–	46534
Sunrise Metro	122.5	128.8	–	47026
UK Metro	105.4	110.9	–	46537
Nth American Fd Acc(z)	206.8	217.7	–	41700
Pac Basin Fd Acc(z)	159.2	167.5	–	41701
Prop Fd Acc(z)	353.6	372.1	–	41702
[illegible]	93.0	97.99	–	47027
Multiple Inv Acc(z)	704.9	742.0	–	41703
Pension Funds				
Brit Blue Chip Acc(z)	143.1	150.6	–	41705
Eq Pen Fd Acc(z)	1898.7	1998.4	–	41706
Euro Fd Acc(z)	356.4	375.1	–	41707
Fixed Int. Acc (z)	726.9	765.1	–	41708
Gt Money Pn Acc(z)	442.8	466.0	–	41709
High Interest	150.1	158.0	–	46536
High Income Fd Acc(z)	115.3	121.3	–	41710
Intl Man Fd(z)	640.5	680.2	–	41711
Jap Pen Fd Acc(z)	448.2	471.7	–	41712
UK Smllr Co's Fd Acc(z)	114.8	120.8	–	41716
Eurodex Metro	130.1	136.9	–	47028
Global Metro	111.7	117.6	–	46535
Sunrise Metro	136.4	143.6	–	47029
UK Metro	110.7	116.5	–	46538
N Am Pn Fd Acc(z)	257.7	271.2	–	41713
Pac Basin Fd Acc(z)	189.5	199.5	–	41714
Property(z)	627.4	660.4	–	41715
Mlple Inv Pens Acc(z)	1423.9	1498.7	–	41717
Broker Funds				
Prof Pen. Fd	95.0	100.0	–	41718
YRA Strategy	124.4	130.9	–	41719
YRA Performance	107.4	113.0	–	47497
Laughton Dollar (SE)	140.2	147.5	–	41720
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL				0793 514514
Fixed Int. Dep. Acc	268.5	282.7	–	41723
Equity Acc	849.6	894.4	–	41724
Property Acc	317.8	345.1	–	41725
Far East Acc	[illegible]	220.9	–	41726

[illegible]

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath				0444 458721
American	122.0	129.0	–	43285
Building Soc. Fd	176.0	186.0	–	43286
Balanced	272.0	287.0	–	43287
European	183.0	193.0	–	43289
GT Managed	184.0	194.0	–	43290
Gartmore Mngd	126.0	133.0	–	43291
German	140.0	148.0	–	43292
Gilt	174.0	184.0	–	43293
Global	48.0	51.0	–	46834
High Inc	107.0	113.0	–	43294
International Equity	188.0	198.0	–	43295
Japan	270.0	286.0	–	43296
Managed	55.0	58.0	–	43297
Property	294.0	310.0	–	43298
R. W. Imperial Gold	149.0	157.0	–	43299
UK Equity	307.0	324.0	–	43300
Pension Funds				
American	154.0	163.0	–	43301
Building Soc. Fd	179.0	189.0	–	43302
Balanced	217.0	229.0	–	43303
European	187.0	197.0	–	43305
German	125.0	132.0	–	43308
Gilt	154.0	163.0	–	43309
International Equity	141.0	149.0	–	43310
Japan	146.0	154.0	–	43311
Managed	61.0	65.0	–	43312
Property	225.0	237.0	–	43313
UK Equity	297.0	313.0	–	43314
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton				0703 232323
Pensions Managed Fund	90.36	95.53	–	42263
Pensions Cash Fund	81.04	85.30	–	42264
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4BE				0539 733733
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	589.2	620.9	–	43315
Adventurous Mngd	127.0	133.9	–	46402
Secure Mngd	108.1	114.0	–	46403
Cash Fd	240.3	253.3	–	43316
Property Fund	297.9	314.0	–	43317
Equity Fund	661.2	696.8	–	43318
Fxd. Int. Fund	292.1	307.9	–	43319
International	319.6	340.0	–	43320
High Income	424.9	452.1	–	43321
Far East	435.7	463.6	–	43322
North American	290.3	308.9	–	43323
Special Sits	584.1	621.4	–	43324
Technology	262.6	279.4	–	43325
Extra Inc Fd	247.6	263.5	–	43326
Convertible & Gilt Fd	148.0	157.5	–	43327
American Income	138.0	146.9	–	43328
Gilt Fund 20	302.6	322.0	–	43329
European Fund	104.2	110.9	–	43330
Pref & Fixed Int	99.1	104.5	–	46332
Equity Income Dist	95.0	100.0	–	–
Managed Dist	95.0	100.0	–	–
Pension Funds				
Balncd Gth Mgd Pens Acc	567.8	597.7	–	43331
Adventurous Mgd Pens Acc	121.9	128.4	–	46404
Secure Mngd Pens Acc	107.2	112.9	–	46405
Building Soc. Acc	253.3	266.7	–	43332
Property Pens. Acc	303.4	319.4	–	43333
Fix. Int. Pens. Acc	410.0	431.6	–	43334
Equity Pens. Acc	736.6	775.4	–	43335
International Pens Acc	292.7	308.2	–	43336
High Inc Pens Acc	461.3	485.6	–	43337
Tech Pens Acc	170.3	179.3	–	43338
N American Pens Acc	198.3	208.8	–	43339
Far Eastern Pens Acc	431.8	454.6	–	43340
Special Sits Pens Acc	473.1	498.1	–	43341
Extra Income Pens Fd	302.1	318.1	–	43342
Convertible & Gilt Pen	160.4	168.9	–	43343
American Inc Pens	152.4	160.5	–	43344
European Pens	111.9	117.8	–	43345
Managed Cash Pens	116.5	122.7	–	46753
Pref & Fixed Pens	101.8	107.2	–	46333
Other Funds				
Acorn Managed Fund	163.4	172.0	–	43348
Portfolio 2000	153.2	161.3	–	43349
Barton Intnl Managed	103.3	108.8	–	43353
PBM Max Gwth & Inc	98.86	104.0	–	43368
DWC Growth & Income	115.1	121.2	–	46835
NCH Inc & Growth	88.7	93.4	–	47158
NCH Managed	98.8	104.1	–	47159
B&B Select Mngd	91.1	95.9	–	–
For Capital Unit and Other Prices ring 0539-733733				
Property Equity & Life Ass. Co				
Baxter Ave, Southend SS2 6QH				0702 333433
Int Man Pension Fd	143.0	150.5	–	43369
Int. Man Crncy Bd Fd	137.4		–	43370
Int Man Crncy Bd Fd(2)	126.0		–	43371
Flexible Prop. Bd. Fd	185.3		–	43372
Flexible Money Bd. Fd	320.4		–	43373
Special Man. Inc. Fd	125.5		–	43374
Property Growth Assur Co Ltd				
Sun Alliance House, Horsham				0403 641411
Property Fund	485.9		–	43375
Property Fund (A)	462.1		–	43376
Agricultural Fund	577.1		–	43377
Agric. Fund (A)	554.6		–	43378
Abbey Nat. Fund	342.3		–	43379
Abbey Nat. Fd. (A)	369.6		–	43380
Investment Fund	240.2		–	43381
Investment Fund (A)	232.3		–	43382
Equity Fund	866.6		–	43383
Equity Fund (A)	838.9		–	43384
Money Fund	330.0		–	43385
Money Fund (A)	319.0		–	43386
Actuarial Fund	403.3		–	43387
Gilt-Edged Fund	260.3		–	43388
Gilt-Edged Fd. (A)	260.3		–	43389
Retire Annuity	959.0		–	43390
Immed. Ann'ty	342.0		–	43391
International Fd	484.4		–	43392
Bldg. Soc. Life Fd	163.4		–	43393
Property Growth Pensions & Annuities Ltd				
All W'ther Ac. Uts	544.5	573.2	–	43394
Inv. Fd. Uts	582.7		–	43395
Pension Fd. Uts	496.7		–	43396
Conv. Pens. Fd	579.3		–	43397
Cnv. Pns. Cap. Ut	350.4		–	43398
Man. Pens. Fd	717.2		–	43399
Man. Pens. Cap. Ut	451.0		–	43400
Prop. Pens. Fd	605.1		–	43401
Prop. Pens. Cap. Uts	371.1		–	43402
Bldg. Soc. Pen. Ut	515.3		–	43403
Bldg. Soc. Cap. Ut	325.4		–	43404
Gilts Pens. Fd	291.7		–	43405
Gilts Pens. Fd. Cap	206.5		–	43406
Equity Pens. Fd	604.7		–	43407
Equity Pens. Fd. Cap	428.5		–	43408
Intl. Pens. Fd	232.4		–	43409
Intl. Pens. Fd. Cap	188.9		–	43410
Providence Capitol Life Assc. Co Ltd				
30 Uxbridge Rd, London W12 8PG				01-749 9111
UK Equity Acc	191.0	201.5	–	43411
UK Fixed Int Acc	146.2	154.3	–	43412
Intl Equities Acc	178.1	187.9	–	43413
UK Managed Acc	160.2	168.9	–	43414
Property Acc	239.8	253.0	–	43415
Money Acc	110.0	116.1	–	43416
Special Market Acc	159.9	168.7	–	43417
Japan Equity Acc	159.6	168.4	–	46760
North American Acc	110.3	116.4	–	43419
Pacific Acc	103.0	108.7	–	43420
Technology Acc	140.3	148.1	–	43421
Nat Resources Acc	64.9	68.5	–	43422
European Acc	103.0	108.7	–	43424
Residential Prop Acc	110.1	116.2	–	43425
Swiss Equities Acc	37.0	39.1	–	43426
Hong Kong Acc	50.8	53.6	–	43427
UK High Inc Eq Acc	64.9	68.5	–	43428
Int Fixed Interest Acc	51.5	54.4	–	46406
Int. Managed Acc	55.9	58.9	–	46407
HIP Managed Acc	113.6	119.8	–	46751
Total Investment Bond				
UK Equity Initial	132.2		–	43429
UK Fixed Int Initial	101.4		–	43430
Intl Equities Initial	122.3		–	43431
UK Managed Initial	111.1		–	43432
Property Initial	167.5		–	43433
Money Initial	76.6		–	43434
Special Market Initial	126.4		–	43435
Japan Equity Initial	126.1		–	46762
North American Initial	87.2		–	43437
Pacific Initial	81.4		–	43438
Technology Initial	111.0		–	43439
Nat Resources Initial	51.3		–	43440
European Initial	94.1		–	43442
Residential Prop Init	107.2		–	43443
Swiss Equities Initial	36.0		–	43444
Hong Kong Initial	49.3		–	43445
UK High Inc Eq Init	63.2		–	43446
Int Fixed Interest Init	50.8		–	46408
Int Managed Init	55.2		–	46409
HIP Managed Init	112.4		–	46752
Broker Funds				
High Performance	74.5	78.5	–	43448
Towerhill Mngd Fd Acc	44.2	46.6	–	43447
YRA Executive Fd	88.0	92.8	–	43449
£ Global Growth Acc	129.2	136.2	–	47160
£ High Income Money Acc	111.7	117.8	–	47161
IM Balanced	54.3		–	47162
N.F. Speculator Fd	142.8		–	43451
PEP Acorn II	124.0		–	46486
PEP Cautionary	98.6		–	47163
AAFS Int Man Fund	115.6		–	46851
Andrews-Green Inv Port	100.0		–	–
Individual Pension Funds				
UK Equity Acc	204.8	216.1	–	43454
UK Fixed Interest Acc	176.3	186.0	–	43455
Intl Equities Acc	238.3	251.4	–	43456
UK Managed Acc	171.8	181.2	–	43457
Property Acc	207.9	219.4	–	43458
Money Acc	129.5	136.7	–	43459
Special Market Acc	253.9	267.9	–	43460
Japan Equity Acc	270.1	285.0	–	46761
North American Acc	138.4	146.0	–	43462
Pacific Acc	202.0	213.1	–	43463
Technology Acc	192.0	202.6	–	43464
Natural Resources Acc	102.0	107.6	–	43465
European Acc	124.2	131.1	–	43467
Residential Prop Acc	117.2	123.7	–	43468
Swiss Equities Acc	37.1	39.2	–	43469
Hong Kong Acc	51.0	53.8	–	43470
UK High Inc Eqs Acc	68.8	72.6	–	43471
Int. Fixed Interest Acc	53.3	56.3	–	46410
Int. Managed Acc	58.5	61.7	–	46411
Group Pension Funds				
Equity Acc	776.2	800.3	–	43473
Fixed Interest Acc	502.2	517.8	–	43474
Managed Acc	126.6	129.1	–	43475
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ				0256 470707
Unit Fund (Mixed)	1035.9	1087.7	–	43476
Equity Fund	234.7	246.4	–	43477
International Fd	165.2	173.5	–	43478
Fixed Interest Fd	156.4	164.2	–	43479
Property Fund	225.2	236.5	–	43480
Index-Linked Fund	144.7	151.9	–	43481
Deposit Fund	140.7	147.7	–	43482
Pens. Mixed (Ord) Fd	246.0	258.3	–	43483
Gold Pensions				
Discretionary Fund	119.6		–	46412
Equity Fund	118.3		–	46413
Fixed Interest Fund	111.5		–	46414
International Fund	126.1		–	46415
Property Fund	137.5		–	46416
Index-Linked Fund	119.4		–	46417
Deposit Fund	115.8		–	46418
S & F Consolidation	109.0		–	46419
S & F Balanced	118.9		–	46420
S & F Maximum Growth	104.9		–	46421
Provident Mutual Life Assc. Assn.				
Willian Rd, Hitchin, Herts SG4 0LP				0438 739000
Managed Ord	322.8	339.8	–	43484
Managed Init	256.6	270.1	–	43485
Equity Ord	431.2	453.9	–	43486
Equity Init	342.7	360.7	–	43487
Index Linked Gilt Ord	142.9	150.4	–	43488
Index Linked Gilt Init	118.6	124.8	–	43489
Overseas Equity Ord	309.6	325.9	–	43490
Overseas Equity Init	246.1	259.1	–	43491
Property Ord	213.8	225.1	–	43492
Property Init	169.9	178.8	–	43493
Fixed Interest Ord	179.9	189.4	–	43494
Fixed Interest Init	143.0	150.5	–	43495
Deposit Ord	148.1	155.9	–	43496
Deposit Init	117.7	123.9	–	43497
Pension Funds				
Managed Ord	398.4	419.4	–	43498
Managed Init	316.6	333.3	–	43499
Equity Ord	547.4	576.2	–	43500
Equity Init	435.1	458.0	–	43501
Pen Ind Lkd Gilt Ord	156.7	164.9	–	43502
Pen Ind Lkd Gilt Init	130.1	136.9	–	43503
Overseas Equity Ord	360.1	379.1	–	43504
Overseas Equity Init	286.3	301.4	–	43505
Property Ord	261.5	275.3	–	43506
Property Init	207.9	218.8	–	43507
Fixed Interest Ord	211.9	223.1	–	43508
Fixed Interest Init	168.5	177.4	–	43509
Deposit Ord	194.7	204.9	–	43510
Deposit Init	154.7	162.8	–	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH				01-405 9222
Prufund				
Managed October 25	244.4	254.6	–	43512
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB				01-439 3134
Holborn Series I Life Funds				
Managed	526.6	554.4	–	46553
Equity	1036.7	1091.3	–	46554
Fixed Interest	383.6	403.8	–	46555
Property	405.9	427.3	–	46556
Cash	268.9	283.1	–	46557
International	394.7	415.5	–	46558
Holborn Series II Life Funds				
Managed	516.1	543.3	–	43513
Equity	1013.0	1066.4	–	43514
International	386.9	407.3	–	43515
Fixed Intl	373.5	393.2	–	43516
Property	395.4	416.3	–	43517
Cash	262.2	276.1	–	43518
Pacific Basin	222.9	234.7	–	43519
North American	161.6	170.2	–	43520
European	167.6	176.5	–	43521
Holborn Balanced Gwth	110.3	116.2	–	43522
Holborn Strategic Gwth	112.6	118.6	–	43523
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB				01-439 3134
Managed	552.2	581.3	–	43524
Equity	751.2	790.8	–	43525
Global Equity	254.1	267.5	–	43526
Fixed Interest	410.1	431.7	–	43527
Property	414.2	436.0	–	43528
Cash	164.2	172.9	–	43529

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
174	Exch 10¼pcCv '89	100xd	–	9.10	15May 15Nov	1256
1,000	Treas 13pc 1990‡‡	99⅞	14.78	8.6	15Jul 15Jan	1300
500	Treas 2pc IL '90(84.6)	132¾	9.98	19.6	25Jul 25Jan	1311
1,400	Exch 11pc 1990‡‡	99	14.35	12.7	12Aug 12Feb	1257
1,250	Exch. 12¼pc 1990	99⅞	14.38	16.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	95¼xd	11.63	2.10	8Nov 8May	1325
600	Treas 8¼pc 1987–90‡‡	96½	13.81	9.5	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990‡‡	96⅛	13.67	9.6	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	96⅝	13.49	18.9	25Apr 25Oct	1285
500	Exch 2½pc 1990	92¾xd	9.86	16.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	98⅞	13.03	27.6	10Jul 10Jan	1292
400	Funding 5¾pc '87–91‡‡	92¾	11.38	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	90⅞xd	9.78	9.10	13Nov 13May	1326
646	Treas 10pc Cv '91‡‡	96⅞	12.49	27.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	97⅛	12.35	18.9	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	92⅛	12.31	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	101⅛	11.82	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	96⅞	11.85	17.7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992‡‡	92⅛	11.85	6.9	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	97⅞xd	11.70	2.10	7Nov 7May	1289
500	Treas. 3pc 1992	84½	9.80	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	101¼	11.68	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	104⅝	11.55	31.8	22Mar 22Sep	1266
950	Treas 8¼pc 1993	91¼	11.43	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	96¼	11.31	8.9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	103⅜	11.29	27.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	87	10.13	9.8	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	108¼xd	11.21	17.10	23May 23Nov	1304
1,050	Treas. 8½pc 1994	90¼	11.25	27.6	3Aug 3Feb	–
600	Treas 14½pc 1994‡‡	111⅝	11.04	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	108	11.18	20.9	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	96⅞	11.03	3.5	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	104⅛	11.17	17.7	22Feb 22Aug	1263
	Five to Fifteen Years					
1,600	Treas 9pc 1994‡‡	92⅛xd	10.94	11.10	17May 17Nov	1345
2,350	Treas 12pc 1995	103⅞	11.10	19.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90–95	76½xd	8.43	25.9	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	97⅞	10.98	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	106⅞xd	10.87	9.10	15May 15Nov	1298
900	Treas. 14pc '96	112⅞	11.06	15.6	22Jul 22Jan	1305
750	Treas.9pc 1992–96‡‡	92¼	10.73	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	119¾xd	10.93	27.9	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	110⅞xd	10.89	9.10	15Nov 15May	1268
1,109	Conversion 10pc 1996	96⅞xd	10.76	9.10	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	111⅜	10.86	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	98⅝	10.75	17.7	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	90⅝	10.53	24.8	1Mar 1Sep	1341
1,000	Exch 15pc 1997	121	10.96	20.9	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	95⅛	10.62	12.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995–98‡‡	80⅞xd	10.21	25.9	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	126½	10.79	24.8	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	107¼xd	10.74	16.10	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	94¾	10.36	8.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	109	10.70	21.8	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	99⅞xd	10.59	13.10	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	98xd	10.57	16.10	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	88⅜	10.29	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	91¼	10.32	28.7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	114⅞	10.70	27.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	97⅞	10.41	20.7	26Aug 26Feb	1280
1,250	Treas. 14pc '98–01	116⅞xd	10.90	16.10	22Nov 22May	1306
802	Conversion 9¾pc 2001	95¼	10.37	4.7	10Feb 10Aug	1248
1,600	Exch. 12pc '99–02	106⅜	10.76	15.6	22Jul 22Jan	1261
716	Conversion 10pc 2002	97⅜	10.31	4.9	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	96⅞	10.27	21.7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	91½xd	10.21	13.10	19May 19Nov	1272
1,800	Treas. 13¾pc 2000–03	118⅜	10.75	19.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	99⅛	10.12	2.8	8Mar 8Sep	1281
1,900	Treas. 11½pc 2001–04	106⅞	10.56	14.8	19Sep 19Mar	1290
900	Treas. 10pc 2004	99⅞xd	10.09	12.10	18Nov 18May	1282
443	Funding 3½pc '99–04	56¼	9.00	29.6	14Jan 14Jul	1274

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,362	Conversion 9½pc 2004	95⅞	10.02	18.9	25Apr 25Oct	1246
	Over Fifteen Years					
1,881	Conversion 9½pc 2005	96⅛	9.99	11.9	18Oct 18Apr	1247
1,050	Exch.10½pc 2005	104⅞	9.99	14.8	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003–05	117¼xd	10.16	16.10	21May 21Nov	1295
1,800	Treas. 8pc 2002–06‡‡	84⅞	9.92	1.9	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	98⅞xd	9.92	9.10	15May 15Nov	1249
3,150	Treas. 11¾pc 2003–07	111⅞	10.18	15.6	22Jul 22Jan	1293
1,446	Treas 8½pc 2007‡‡	89⅛	9.78	9.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04–08	125⅞	10.11	21.8	26Sep 26Mar	1301
1,800	Treas. 9pc 2008‡‡	93⅜	9.71	6.9	13Apr 13Oct	1343
1,000	Treas 8pc 2009	85⅞	9.65	21.8	25Mar 25Sep	1336
369	Conv 9pc Ln 2011‡‡	94⅛	9.63	29.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008–12‡‡	63¼	9.45	4.8	10Mar 10Sep	1330
700	Treas. 7¾pc 2012–15‡‡	82⅜	9.59	19.6	26Jul 26Jan	1332
1,000	Exch. 12pc '13–'17	121⅜	9.66	8.5	12Jun 12Dec	1260
	Undated					
359	Consols 4pc	41¼	–	26.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	36⅝xd	–	25.10	1Jun 1Dec	1352
140	Conv. 3½pc '61 Aft	62½	–	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	32⅜	–	1.9	5Apr 5Oct	1324
276	Consols 2½pc	25⅛	–	1.9	5Ja Ap Jul O	1238
475	Treas. 2½pc	25⅜	–	25.8	1Apr 1Oct	1315
	Index-Linked					
	(b)		**			
650	Tr. 2pc '92‡‡(97.8)	110⅜	4.02	17.8	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	103xd	3.60	10.10	16Nov 16May	–
1,000	Do. 2pc '96(67.9)	152	3.49	10.8	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	128⅞	3.70	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	125⅞xd	3.74	16.10	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	128⅞	3.72	12.6	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	119⅜xd	3.71	16.10	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	124⅜	3.69	17.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	105⅜	3.66	10.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	112⅞	3.61	19.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	116⅜	3.55	11.9	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡(97.7)	93	3.49	12.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1989:111.8 and for September1989:116.6

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼Ln 2010	101	10.80	1.12	4Jan 4Jun	–
100	Asian Dev Bk 10¼pcLn2009	97⅞	10.39	28.3	24Mar 24Sep	–
100	Australia 13½pc 2010	128⅞xd	10.82	23.12	28Jan 28Jul	–
100	Do. 11¾pcLn2015	103⅜	10.74	22.3	26Apr 26Oct	–
75	Euro Inv Bk 11pc Ln 2002	101⅞	10.60	23.2	23Mar 23Sep	–
100	Do. 10¾pc2004	97⅞	10.58	24.10	Apr Nov	–
75	Int-Am Dev Bk 12½pc 2003	110⅞	10.80	7.12	8Jan 8Jul	–
175	Do. 9¾pcLn 2015	92⅜	10.42	13.10	15May 15Nov	–
75	Malysia 10¾pcLn 2009	92xd	11.66	23.12	31Jan 31Jul	–
50	Utd. Mexican States 16½pc 2008	115	14.20	24.1	1Mar 1Sep	–

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	100½xd	11.20	20.10	20May 20Nov	1838
45	Do. 11½pc 2012	103½xd	11.10	13.10	15May 15Nov	1837
40	GLC 6¾pc 1990–92	87½xd	13.10	17.7	15Feb 15Aug	2647
40	Leeds 13½pc 2006	117½	11.06	11.9	1Apr 1Oct	3146
5	Liverpool 3½pc Irred	30xd	–	1.9	1Ja Apr Ja Oc	3169
25	LCC 6¾pc '88–90	93½	13.98	14.7	10Jan 10Jul	3198
26	Do. 3pc '20 Aft	28xd	–	1.8	1Mar Ja S D	3197
7	Manchester 11½pc 2007	102½xd	11.20	29.9	25Apr 25Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988–92	87½	12.40	1.12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Asstd.	206	–	–	1Apr 1Oct	–
4	Do. 4½pc 87–92 Asstd	84½	9.33	14.7	7Feb 7Aug	–

LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Building Societies					
20	N'wide Anglia 11⅞pc 6.11.89	99⅞	15.98	9.10	30Apr 6Nov	–
20	Do. 12⅞pc 4.12.89	99⅞	15.79	28.4	28May 4Dec	–
20	Do. 12⅞pc 2.1.90	99⅞	15.56	30.5	2Jan 28Jun	–
20	Do. 12⅞pc 29.1.90	99⅞	15.40	23.6	29Jan 23Jly	–
–	Do. 12⅞pc 26.2.90	98⅞	15.34	21.7	26Feb 20Aug	–
–	Do. 12⅞pc 19.3.90	99⅞	15.18	–	19Mr 13Sep	–
20	Do. 13½pc 23.4.90	99⅞xd	15.06	18.9	23Apr 17Oct	–
20	Do. 13pc 14.5.90	99⅞	15.01	9.10	14May 8Nov	–
–	Do. 13⅞pc 4/6/90	99⅞	14.96	–	4Jun 30Nov	–
–	Do. 14⅞pc 2.7.90	99⅞	14.91	–	2Jly 26Dec	–
–	Do. 13⅞pc 23.7.90	99	14.89			–
20	Do. 13⅞pc 13.8.90	98⅞	14.84			–
60	Do. 3¾pcIL Ln 2021	105¾xd	4.30	22.6	30Jan 31Jul	3465
	Public Board and Ind.					
25	Met. Wtr. 3pc 'B'	46xd	10.62	1.8	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	40xd	3	7.50	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	40xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	80	2.75	3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	128⅜	15.00	11.16	27.10	31May 30Nov	–
30	Iceland 14½pc Ln 2016	128¼xd	14.50	11.70	29.12	31Jan 31Jul	–
30	Ireland 9¾pc '91–96	91½xd	9.75	11.50	21.8	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
9,557.2	Abbott Laboratories‡	42xd	$1.40	2.1	11.7	Fb My Ag Nv	1503
251.0	Allegheny & W 1c	483p	30c	3.9	–	–	–
1,635.4	Amax $1	13⅞xd	80c	3.8	7.8	Mr Jn Se De	1581
366.3	Ambase Corp $1	8⅞xd	20c	1.4	24.2	Jan Mar Jn Dc	2915
799.0	Amdahl 5c	761pxd	h10c	0.8	31.1	Nv Mr Jn Ag	–
2,874.3	Amer. Cyanamid $5	31¼	$1.35	2.7	27.2	Mr Je Se De	–
11,566.4	Amer. Express 60c	23¼xd	84c	2.3	3.7	Fb My Ag Nv	1594
1,229.5	Amer. Medical Int. $1	15⅛	ϕ72c	3.0	9.1	Fb My Au Nv	–
29,702.4	American T. & T. $1	27½	$1.20	2.8	27.5	Fb My Ag Nv	1597
16,539.9	Ameritech $1	38⅞	h$2.92	4.8	28.3	Fb My Ag Nv	–
–	♦Asiamerica Equity‡	547p	–	–	–	–	–
1,373.3	BankAmerica $1⅝	18⅝xd	60c	2.0	17.5	Fe My Au No	1744
2,441.6	Bankers N.Y. $1	30⅞xd	$2.08	4.3	31.3	Ap Jly Oc Jan	1745
12,554.1	Bell Atlantic $1	63⅛	$4.08	4.1	27.6	Fe My Au No	–
16,182.7	BellSouth Corp.	33⅝	$2.52	4.7	6.7	Fe My Au No	–
799.2	♦Bethlehem Steel $8	10⅞xd	$1.00	5.9	6.2	Mar Jun S D	1821
–	♦Bio-Rad Labs. A	10½	–	–	–	–	–
610.5	Bowater Inc.	16⅝	$1.12	4.3	6.6	Oc Ja Ap Jy	1884
836.1	Brunswick 75c	9⅞xd	44c	3.0	20.7	F My Au N	1989
3,461.0	CPC Intnl. 25c	42¼	$1.80	2.7	25.9	Jan Ap Jly O	2263
132.2	California Engy	726p	–	–	–	–	–
3,591.3	Campbell Soup 15c	27⅝xd	92c	2.1	3.7	Oc Ja Ap Jy	–
1,954.0	Chase Manhattan $12½	23⅜xd	$2.36	6.2	27.7	Fb My Ag Nv	2109
2,398.4	Chem. Banking Corpn	21½	$2.72	8.0	12.6	Ap Jy Oc Ja	–
3,120.8	Chrysler $6¼	14⅛xd	$1.20	5.4	14.6	Mar Jun S D	2135
6,121.4	Citicorp $1	19¼xd	$1.62	5.3	25.4	My Au N F	2141
2,725.6	Colgate-Palmolive $1	39½xd	$1.48	2.4	20.7	F My Au N	2184
1,541.8	Cont'l Bank Corp $4	15⅛	80c	3.3	31.5	Dc Mr Jn Sp	–
–	♦Corporate Data Scnce	334p	–	–	–	–	–
980.1	Dana Corp. $1	21⅞xd	$1.60	4.6	29.8	Mr Jn Se De	2306
247.2	Data General	896p	–	–	–	–	–
5,945.6	Dun & Bradstreet $1	32	$2.00	4.0	13.2	Mr Jn Sp Dc	–
1,517.7	Eaton Corpn. 50c	35½	h$2.00	3.6	2.8	F My Au N	2410
538.2	Echlin Inc.	9⅞	70c	4.9	30.6	JanAprJulOct	–
2,777.9	FPL Group 1c	20⅞xd	$2.28	6.9	23.11	MrJnSepDec	–
1,652.4	Fluor Corp 62½pc	19⅛	16c	0.5	–	J A J O	2609
15,822.0	Ford Motor $1	30xd	$3.00	6.3	28.7	Mar Jun S D	2615
31,465.1	Gen. Elect. 63c	34⅛	$1.64	3.0	7.6	Ja Ap Je Oc	2675
–	♦General Host Corp $1	460p	30c	4.1	13.12	–	–

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,289.6	Gillette $1	28¾	96c	2.1	27.1	Mar Jun S D	2695
192.1	Gt American Bank Bt $1	586p	20c	2.2	28.10	Fb My Ag Jn	–
755.5	Greyhound $1½	19½	$1.32	4.3	30.5	Ja Ap Jy Oc	2778
746.0	Hasbro Inc 50c	14¼	16c	0.7	1.8	Ja No Au My	–
2,295.5	Honeywell $1½	52¾xd	$2.10	2.5	22.8	Mar Jun S D	2919
2,625.6	Houston Inds.	22	$2.96	8.5	10.11	Mr Jn Se De	–
37,987.4	IBM Corpn $1¼	63¾xd	$4.84	4.8	5.5	Mar Jun S D	2986
1.06	Image Storage/R.Sys.Inc.	58p	–	–	–	–	2961
1,411.5	Ingersoll-Rand $2	26¼xd	$1.20	2.8	16.5	Mar Jun S D	2979
1,845.1	Lockheed Crpn. $1	28⅛xd	$1.80	4.0	15.2	Mar Jun S D	–
282.5	Lone Star Inds $1	17¼xd	$1.90	7.0	30.8	May Se N Mar	3216
742.6	Louisiana Land 15c	23[illegible]xd	$1.00	2.6	29.8	Mar Jun S D	3222
743.1	Lowe's 50c	18¼	48c	1.6	11.7	Jan Ap Jly Oc	–
1,182.4	Manuf. Hanover $1	24⅝	$3.28	8.4	26.6	Jan Ap Jly Oc	3279
1,914.1	Merrill Lynch $1	18¼	$1.00	3.5	31.10	Feb My Au N	3351
609.0	Molex Inc.	2400p	3.2c	–	–	–	3397
4,954.3	Morgan (JP) $2½	27⅞xd	$1.66	3.8	21.12	Jan Ap Jly O	3418
26,265.8	Morris (Philip)	26⅝xd	$1.13	2.7	12.10	–	5161
10,580.6	NYNEX $1	49⅜	$4.36	5.6	27.6	F May Au N	4740
3.65	N'wide Legal Serv.	27p	–	–	–	–	5121
381.3	PHH Corp.	22¼	$1.12	3.1	4.4	Ja Ap Jy Oct	–
–	Pacific Agr.	190p	–	–	–	–	–
1,826.3	Pacificorp $3¼	26¼xd	$2.76	6.4	18.7	Feb My Ag Nv	–
12,001.6	Pacific Telesis 10c	27⅞	$1.88	4.3	12.85	Fe My Au No	–
753.9	Pall Corp. 25c	20⅜	48c	1.5	24.1	Fe My Au No	–
2,036.8	Pennzoil 83 1/3c	49⅝xd	$3.00	3.8	29.8	Mar Jun S D	3630
3,135.8	Quaker Oats $5	39¼	$1.20	1.9	20.6	Jly Oc Jan Apr	3738
750.0	Rep NY Corpn $5	30⅛xd	$1.28	2.7	12.9	Jan Apr Jly O	3814
4,674.2	Rockwell Intl. $1	16⅛xd	78c	3.1	9.8	Mr Jn Se De	3847
7,120.6	Sears, Roebuck 75c	24¼	$2.00	5.1	23.8	Jan Apr Jly Oc	5191
18,884.6	Southwestern Bell $1	36	$2.60	4.6	5.7	Fb My Ag No	–
2,634.8	Sun Co. Inc $1	24¼xd	$1.80	4.6	7.8	Mr Jn Se De	4135
1,754.5	TRW Inc. 62½c	29⅝	$1.72	3.7	8.8	Ma Jn Se De	4318

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
24.4	Airtours 10p	139	16.25	6.0	3.7	Feb July	1540
100.5	Anglia TV	232	†7.75	4.5	3.7	Aug Jan.	1611
61.4	Avesco 1p	117	g1.13	1.3	3.7	October	1710
3.64	BCE Hldgs 5p	13	0.4	4.1	30.1	Sept Mar	1719
15.1	Barr & W.A.T. 'A'	385	†25.0	6.6	4.9	Oct. July	1764
–	Bond Media	12	Q2c	8.0	–	–	4832
17.1	Boosey & Hawkes	495	†10.0	3.1	19.6	Jul Dec	1875
5.16	Border T.V.	51	2.0	5.2	18.9	Oct Feb	1878
170.5	Brent Walker 10p	336	†11.0	4.4	16.10	July Jan	1945
119.8	Do 6pc. Cv.Cm.Rd.Pf	91	6.0	8.8	22.5	Jan July	1944
52.5	Buckingham Int'l. 10p	88	–	–	5.87	Jan May	3152
17.8	Campari Int. 20p	173	8.5	6.6	18.9	Oct May	2048
161.6	Capital Radio 10p	990	†10.0	1.3	22.5	Jan July	2068
1,342.7	Carlton Communctns	718	†7.5	1.4	3.7	Apr Aug	2073
158.1	Do. 6.5p Prf	97	6.5	8.9	–	Jan July	4876
19.2	Castle Comms. 5p	388	8.5	3.0	3.4	Apr Dec	2079
167.8	Central ITV	640	†25.5	5.2	16.10	Nov May	2091
34.2	Chrysalis	129	3.43	3.7	17.7	Apr Aug	2134
127.9	Citivision 5p	116	†10.5	0.6	2.10	Jun Nov	2150
9.48	Classic Th'breds In0.2B	14	–	–	–	–	1383
231.7	Compass Group 5p	348	†17.2	2.8	19.6	Jan Jul	1687

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.14	Royal Sovereign 10p	165	†5.5	4.4	2.10	May Nov	1505
0.84	Scott Pickford 10p	12	d0.38	4.2	17.7	August	5062
9.03	Seacon Hldgs	138	†2.5	2.6	18.9	Oct May	3968
4.80	Sleepy Kids 5p	24	–	–	–	–	5068
3.45	Stats Hldgs. 5p	7½	–	–	–	–	4625
2.14	Swanyard Studios 1p	1½	–	–	–	–	4666
0.31	Systems Connection 2½p	2½	–	–	–	–	5152
9.46	Tavern Leis. 20p	37	–	–	–	–	4867
8.85	Tomorrows Leisure 20p	79	–	–	–	–	4248
	For Tullow Oil see Oils & Gas						
2.62	UPL Group 10p	65	2.75	5.6	22.5	Dec. July	4362
6.90	Unit Group	130	5.0	5.1	3.7	Jan Aug	4357
6.95	Video Magic Leis. 1p	79	W2.0	3.4	–	Jan July	5071
5.03	Vista Ents 5p	5½	–	–	–	–	3994
11.2	Vizcaya Hldgs 5p	21	–	–	–	–	4193
59.2	Whitegate Leisure 20p	38	–	–	–	–	1105
1.67	Do. Wrrnts	25	–	–	–	–	1116
24.6	Wilton Group 1p	5½	–	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-
Albany Inv 20p	86xd	-2
Craig & Rose £1	830	.....
Finlay Pkg. 5p	68	.....
Holt (Jos) 25p	1343xd	.....

IRISH

Stock	Price	+/-
Cap. 8½% Ln. 1991	£97	.....
9pc Cap Ln. 1996	£97½	.....
Fin. 13% 97/02	£117	-¼
Arnotts	408	-10
Carrol (P.J.)	145	.....
Hall (R. & H.)	158	-3
Helton Hldgs	90	.....
IRG	238	.....
United Drug	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Stock	p
Brit Petroleum	22
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	150
Lonrho	30
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

POUND SPOT- FORWARD AGAINST THE POUND

Oct.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5635 - 1.5825	1.5760 - 1.5770	0.91-0.88cpm	6.81	2.66-2.62pm	6.70
Canada	1.8460 - 1.8585	1.8515 - 1.8525	0.53-0.43cpm	3.11	1.54-1.42pm	3.20
Netherlands	3.24¼ - 3.29¼	3.25 - 3.26	2⅛-2cpm	7.60	5⅝-5¼pm	7.14
Belgium	60.35 - 61.20	60.50 - 60.60	32-28cpm	5.95	92-86pm	5.88
Denmark	11.20¼ - 11.36¼	11.28¼ - 11.29¼	3⅞-3⅛orepm	3.85	12-11⅛pm	4.10
Ireland	1.0845 - 1.1050	1.0860 - 1.0870	0.40-0.35cpm	4.07	1.00-0.90pm	3.43
W. Germany	2.88¼ - 2.91½	2.88¼ - 2.88¼	2-1⅞pfpm	8.06	5⅝-5¼pm	7.28
Portugal	247.35 - 250.75	247.60 - 248.60	59-41cpm	2.42	44-46dis	-0.73
Spain	183.70 - 186.00	183.80 - 184.10	18-7cpm	0.82	43-28pm	0.77
Italy	2116¼ - 2138¼	2120¾ - 2121¼	6-4lirepm	2.83	15-13pm	2.64
Norway	10.79½ - 10.91¼	10.84¼ - 10.85¼	4⅛-3⅞orepm	4.42	11⅜-10⅞pm	4.10
France	9.77 - 9.90¼	9.79¼ - 9.80¼	4⅝-4½cpm	5.59	12¾-12¼pm	5.10
Sweden	10.04½ - 10.13¾	10.08 - 10.09	3⅛-3¼orepm	3.87	9⅝-9¼pm	3.74
Japan	222¾ - 225¼	223¼ - 224¼	1⅞-1⅝ypm	9.39	5¼-5pm	9.05
Austria	20.31 - 20.52	20.31 - 20.35	12⅞-12¼gropm	7.38	36⅞-35⅛pm	7.13
Switzerland	2.51⅜ - 2.55½	2.51⅜ - 2.52¼	1¾-1⅝cpm	8.03	4⅞-4¾pm	7.63
ECU	1.4110 - 1.4410	1.4110 - 1.4120	0.57-0.54cpm	4.72	1.71-1.66pm	4.78

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 60.65-60.75 Six-month forward dollar 4.97-4.92cpm 12 Months 8.98-8.88cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5635 - 1.5825	1.5760 - 1.5770	0.91-0.88cpm	6.81	2.66-2.62pm	6.70
Ireland†	1.4295 - 1.4470	1.4460 - 1.4470	0.33-0.28cpm	2.54	1.30-1.15pm	3.40
Canada	1.1740 - 1.1775	1.1745 - 1.1755	0.35-0.38cdis	-3.72	1.03-1.07dis	-3.57
Netherlands	2.0620 - 2.0935	2.0650 - 2.0660	0.09-0.06cpm	0.43	0.17-0.12pm	0.28
Belgium	38.35 - 38.95	38.35 - 38.45	2.50-4.00oredis	-1.01	8.50-11.00dis	-1.01
Denmark	7.11¾ - 7.22¾	7.15¾ - 7.16¼	1.65-1.95oredis	-3.01	4.80-5.25dis	-2.80
W. Germany	1.8255 - 1.8560	1.8300 - 1.8310	0.11-0.09cpm	0.65	0.20-0.17pm	0.40
Portugal	157.10 - 158.60	157.10 - 157.20	56-66cdis	-4.65	250-280dis	-6.73
Spain	117.10 - 119.00	117.15 - 117.25	55-65cdis	-6.14	180-190dis	-6.31
Italy	1345½ - 1360¼	1345¼ - 1345¾	4.50-5.00liredis	-4.22	13.60-14.60dis	-4.17
Norway	6.87 - 6.94¼	6.87¾ - 6.88¼	1.30-1.65oredis	-2.57	4.65-5.05dis	-2.81
France	6.20½ - 6.30	6.21¼ - 6.21¾	0.80-0.85cdis	-1.59	2.45-2.60dis	-1.62
Sweden	6.37¾ - 6.44¼	6.39½ - 6.40	1.60-1.75oredis	-3.14	4.90-5.25dis	-3.17
Japan	141.60 - 142.95	141.90 - 142.00	0.29-0.27ypm	2.36	0.78-0.75pm	2.15
Austria	12.92¼ - 13.06½	12.93 - 12.93½	0.90-0.60gropm	0.70	1.10-1.60pm	0.26
Switzerland	1.5635 - 1.5825	1.6000 - 1.6010	0.16-0.13cpm	1.08	0.33-0.29pm	0.77
ECU	1.1015 - 1.1185	1.1175 - 1.1185	0.20-0.19cpm	2.09	0.58-0.55pm	2.02

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.45-38.55.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY OCTOBER 27 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY OCTOBER 26 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (85)	145.96	+1.0	137.26	124.89	+10.9	5.29	149.06	137.05	127.20	160.41	128.28	148.56
Austria (19)	153.31	+59.8	144.18	146.41	+65.2	1.66	160.25	147.34	153.30	172.22	92.84	95.45
Belgium (63)	139.59	+3.3	131.28	132.54	+6.5	4.17	140.88	129.53	134.80	144.49	125.58	129.81
Canada (122)	147.61	+17.6	138.82	125.59	+15.8	3.27	147.79	135.88	125.80	154.17	124.67	124.59
Denmark (36)	208.90	+22.6	196.46	203.43	+28.0	1.56	208.22	191.45	203.41	219.89	165.35	148.33
Finland (26)	123.63	−5.5	116.27	110.19	−3.6	2.56	124.88	114.82	110.91	159.16	123.12	126.95
France (126)	129.93	+12.9	122.19	126.66	+15.9	2.97	132.85	122.14	130.03	139.94	112.57	108.76
West Germany (97)	96.08	+9.2	90.36	91.44	+12.7	2.25	97.29	89.45	92.96	103.84	79.56	87.27
Hong Kong (48)	112.65	+0.8	105.94	112.96	+0.8	5.00	113.76	104.59	114.03	140.33	86.41	106.88
Ireland (17)	158.53	+20.3	149.09	154.42	+25.1	2.87	160.84	147.88	157.00	166.69	125.00	140.39
Italy (97)	87.19	+2.4	82.00	87.61	+5.5	2.61	87.12	80.10	87.67	96.73	74.97	83.35
Japan (455)	187.61	−2.0	176.43	168.34	+11.3	0.48	189.02	173.79	169.25	200.11	164.22	171.65
Malaysia (36)	195.21	+36.0	183.58	202.69	+35.4	2.62	197.80	181.86	205.15	209.22	143.35	140.05
Mexico (13)	311.52	+92.5	292.97	892.03	+120.4	0.58	317.39	291.82	908.83	326.61	153.32	156.92
Netherland (43)	124.46	+10.7	117.05	117.33	+14.2	4.52	126.17	116.00	119.52	131.72	110.63	111.00
New Zealand (19)	75.53	+11.7	71.03	67.78	+19.0	5.21	76.97	70.77	68.97	88.18	62.64	74.01
Norway (24)	168.94	+21.6	158.88	157.77	+27.4	1.64	171.44	157.63	160.27	198.39	139.92	119.12
Singapore (26)	153.06	+22.4	143.94	138.39	+23.5	2.14	154.62	142.17	139.66	170.62	124.57	121.53
South Africa (60)	149.50	+27.9	140.60	130.19	+32.5	4.35	145.97	134.21	127.11	160.24	115.35	111.31
Spain (43)	157.40	+6.1	148.02	139.75	+9.7	3.77	158.33	145.58	141.06	169.75	143.14	150.44
Sweden (35)	175.48	+21.4	165.03	166.19	+26.7	2.06	176.59	162.37	167.25	188.94	138.45	130.25
Switzerland (64)	86.88	+11.3	81.71	86.21	+18.5	2.19	87.63	80.57	87.36	94.16	67.81	84.89
United Kingdom (306)	134.65	−0.5	126.63	126.63	+14.2	4.80	140.78	129.44	129.44	158.41	133.26	137.59
USA (547)	136.10	+20.2	127.99	136.10	+20.2	3.39	137.37	126.31	137.37	146.29	112.13	113.56
Europe (996)	121.01	+5.5	113.80	114.73	+14.1	3.65	124.08	114.09	116.84	132.95	112.63	114.42
Nordic (121)	166.36	+19.1	156.45	152.86	+24.1	1.86	166.98	153.53	153.59	178.38	137.95	125.26
Pacific Basin (669)	183.09	−1.7	172.19	164.43	+11.1	0.72	184.56	169.70	165.40	194.72	160.44	168.10
Euro−Pacific (1665)	158.31	+0.4	148.88	144.57	+11.9	1.63	160.44	147.51	145.99	166.98	141.56	146.65
North America (669)	136.89	+20.1	128.55	135.45	+20.0	3.39	137.90	126.79	136.66	146.66	112.79	114.14
Europe Ex. UK (690)	111.57	+9.8	104.92	107.26	+13.6	2.88	112.89	103.80	108.95	118.51	96.30	99.84
Pacific Ex. Japan (214)	128.94	+3.5	121.26	115.93	+8.7	4.88	131.10	120.54	117.68	140.05	111.93	125.30
World Ex. US (1860)	157.95	+1.2	148.54	144.03	+12.2	1.71	159.96	147.07	145.37	168.35	141.49	145.54
World Ex. UK (2101)	150.56	+7.5	141.59	142.78	+14.7	2.02	151.86	139.63	143.94	156.04	136.98	132.76
World Ex. So. Af. (2347)	149.11	+6.7	140.23	141.34	+14.6	2.23	150.88	138.73	142.68	155.92	136.67	133.30
World Ex. Japan (1952)	130.76	+14.0	122.97	127.32	+17.5	3.55	132.68	121.99	128.87	140.43	114.51	114.73
The World Index (2407)	149.11	+6.8	140.23	141.26	+14.6	2.25	150.85	138.70	142.58	155.69	136.66	133.17

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGE: Name change: Orient Leasing to Orix Corp. (Japan)(23/10/89).

MONEY MARKETS

Bank signals wish for unchanged rates

As sterling fell below DM2.90 on Friday the market looked in vain for a signal from the Bank of England that base rates were about to be raised. The Bank's signal was the opposite, and it was taken as a strong indication that the UK authorities intend trying to weather the storm following the resignation of Mr. Nigel Lawson as Chancellor of the Exchequer.

UK clearing bank base lending rate 15 per cent from October 5

There had been nervousness that the Bank would signal higher base rates on Friday morning, when it forecast the daily money market credit situation. Trading was also nervous at noon, when the authorities made the first move of the day to assist the market, but the Bank bought bills at unchanged rates. This was regarded as an indication that there was no wish to see base rates rise, but it was in the afternoon that the authorities underlined this desire in red ink.

Dealers said they could not remember an occasion when the Bank had acted in a similar way. Under normal circumstances, it makes its opposition known to a base rate move by declining to operate in the bill market and offering lending facilities to the discount houses.

At times when the Bank wishes to change rates, it may also opt not to operate in the bill market and state to the houses that they may use their borrowing facilities at whatever rate is required for the new level of base rates.

It is most unusual, however, for the authorities to offer the borrowing facility and state in advance that the rate will be unchanged. This led the market to believe that the Government has decided higher interest rates are too damaging politically at present and that sterling will have to take the strain.

£ IN NEW YORK

Oct.27	Close	Previous Close
£ Spot	1.5800-1.5810	1.5740-1.5760
1 month	0.90-0.88pm	0.89-0.87pm
3 months	2.64-2.62pm	2.61-2.58pm
12 months	8.90-8.80pm	8.85-8.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.27	Previous
8.30 am	88.2	90.0
9.00 am	88.4	90.0
10.00 am	88.6	90.0
11.00 am	88.5	90.1
Noon	88.5	90.0
1.00 pm	88.6	90.1
2.00 pm	88.5	90.1
3.00 pm	88.3	90.1
4.00 pm	88.2	90.1

CURRENCY MOVEMENTS

Oct.27	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.2	-20.9
U.S Dollar	69.6	-8.8
Canadian Dollar	104.6	+1.3
Austrian Schilling	108.0	+10.7
Belgian Franc	107.4	-5.2
Danish Krone	105.2	-0.0
Deutsche Mark	115.4	+22.2
Swiss Franc	108.0	+16.2
Guilder	112.2	+14.4
French Franc	101.1	-14.4
Lira	99.1	-19.1
Yen	236.7	+67.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Oct.26.

CURRENCY RATES

Oct.27	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25547	1.41723
U.S Dollar	7	1.27960	1.11273
Canadian $	12.46	1.50366	1.30969
Austrian Sch.	6½	N/A	14.4388
Belgian Franc	10¼	49.4821	43.0349
Danish Krone	10½	9.19009	7.98663
Deutsche Mark	6.00	2.35805	2.05021
Neth.Guilder	7.00	2.66157	2.31426
French Franc	10¼	7.99430	6.96125
Italian Lira	13½	1730.02	1505.47
Japanese Yen	3¾	181.191	158.676
Norway Krone	8	8.81516	7.67618
Spanish Peseta	-	150.542	130.891
Swedish Krona	9½	8.19264	7.13484
Swiss Franc	6.00	2.06655	1.79817
Greek Drach.	20½	211.024	183.712
Irish Punt	-	0.886886	0.772194

\# Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Oct.26

OTHER CURRENCIES

Oct.27	£	$
Argentina	1027.65 - 1036.20	650.00 - 655.00
Australia	2.0250 - 2.0275	1.2860 - 1.2870
Brazil	7.6920 - 7.7355	4.8685 - 4.8910
Finland	6.7175 - 6.7205	4.2460 - 4.2480
Greece	258.00 - 262.50	165.15 - 166.85
Hong Kong	12.3535 - 12.3570	7.8090 - 7.8110
Iran	115.00*	71.80*
Korea(Sth)	1050.30 - 1067.25	669.00 - 674.20
Kuwait	0.46870 - 0.47010	0.29880 - 0.29950
Luxembourg	60.50 - 60.60	38.35 - 38.45
Malaysia	4.2635 - 4.2665	2.6950 - 2.6970
Mexico	4131.45 - 4149.85	2614.00 - 2624.00
N. Zealand	2.6605 - 2.6665	1.6885 - 1.6915
Saudi Ar.	5.8830 - 5.8885	3.7495 - 3.7505
Singapore	3.1025 - 3.1055	1.9610 - 1.9630
S. Af (Cm)	4.1860 - 4.1905	2.6460 - 2.6490
S. Af (Fn)	6.2405 - 6.3660	3.9445 - 4.0240
Taiwan	40.75 - 40.85	25.80 - 25.85
U.A.E.	5.7615 - 5.7655	3.6720 - 3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Oct 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-15⅛	15⅜-15¼	15⅝-15⅛	15⅝-15½	15⅝-15⅜	14⅞-14¾
US Dollar	8¾-8⅝	8¾-8⅝	8⅞-8¾	8⅞-8¾	8⅞-8¾	8⅞-8¾
Can. Dollar	12⅛-11⅞	12⅛-11⅞	12-11¾	12⅛-11⅞	11⅞-11⅝	11⅞-11⅝
D. Guilder	8⅜-8¼	8⅜-8¼	8½-8⅜	8⅝-8½	8¾-8⅝	8⅞-8¾
Sw. Franc	7⅛-6⅞	7½-7¼	7⅝-7½	7⅞-7¾	7⅞-7¾	7⅞-7¾
Deutschmark	8-7⅞	8-7⅞	8-7⅞	8⅛-8⅛	8⅜-8⅛	8⅛-7⅞
Fr. Franc	10⅛-10	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅜-10⅛	10-9⅞
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$370	84	9	32	18	16	26	$374.60
Gold C	$380	251	3.20	13	12	32	20.50	$374.60
Gold C	$400	43	0.20	127	4.80	-	-	$374.60
Gold P	$360	72	0.80	17	3.50	-	-	$374.60

TOTAL VOLUME IN CONTRACTS: 61,212

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	City Merchants Bank	15	Meant Banking	15
Adam & Company	15	Clydesdale Bank	15	Nat Bk. of Kuwait	15
Allied Trust Bank	15	Comm. Bk. N. East	15	NatWestminster	15
Allied Irish Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
● Henry Ansbacher	15	Coutts & Co	15	Norwich Gen. Trust	15

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

JOTTER PAD

CROSSWORD

No.7,076 Set by TANTALUS

ACROSS

1 Stayed talking (6)
4 Well, you wouldn't be taken here! (8)
9 It's skilful to raid at sea (6)
10 Mix gin and it with particle – it's burning! (8)
12 The French irritated by oriental game (8)
13 Sally converted Tories (6)
15 The first edge to cut (4)
16 American rock singer not returning to dance (10)
19 Call chief a mischief maker (10)
20 Lawyer by one's platform (4)
23 Delicious drink causes trance (6)
25 A timber on board got by strict offspring (8)
27 Former parking sign lawful and clear (8)
28 View article with half glasses (6)
29 Music these days in calm surroundings (8)
30 Chaps go to hill to meet adviser (6)

DOWN

1 and 19 Do athletes looking hot come across vegetables? (7,7)
2 Management course (9)
3 Woollen fabric for three on bed (6)
5 Fish beheaded at wild gathering (4)
6 Quiet schoolmaster comes up with expert to see captive (8)
7 Pollution in Bogota interfered with development (5)
8 Light noticed by apprentice before sailors (7)
11 Teaches a new way to gain (7)
14 Stops and takes 6 (7)
17 Passing a temporary worker (9)
18 I join two students at one concerning conclusion (8)
19 See 1
21 Statesman sees nurse and rota is altered (7)
22 In Germany, water is changed for fish (6)
24 Canaveral, for example, right for an escapade (5)
26 Object to motorway on borders of Nord (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 11.

LEGAL NOTICES

STATE BANK OF NEW SOUTH WALES
A$100,000,000 FLOATING RATE NOTES DUE 24 OCTOBER 1994

Notice is given that the following notes have been lost in transit or stolen.

Issuer:	State Bank of New South Wales
Form of Security:	Bearer A$100,000,000 Floating Rate Notes, *without coupons*
Denomination:	4 x A$25,000,000
Issue Date:	24 October 1989
Maturity Date:	24 October 1994
Interest Payment Dates:	Quarterly on 24th January, April, July & October each year, commencing 24 January 1990

These notes should not be negotiated or otherwise dealt with in any way. Extreme caution should be exercised in any attempted negotiation or other dealing with these notes.

Should an attempt to negotiate or otherwise deal with these notes be made, please immediately contact one of the following offices of the State Bank of New South Wales.

SYDNEY: Mr Phil Boyle, Senior Manager, Treasury Operations, 40th Level, 225 George Street, Sydney. Telephone: (02) 259 4400. Fax: (02) 251 8009. Telex: 122263

LONDON: Mr Michael Norton, Senior Manager, Finance and Operations, 110-112 Fenchurch Street, London EC3M 5DR. Telephone: (01) 481 8000. Fax: (01) 265 0740. Telex: 895 2331

NEW YORK: Mr Tony Nardella, Vice President, Operations, 17th Level, 645 Fifth Avenue, New York 10022. Telephone: (212) 891 1100. Fax: (212) 891 1126. Telex: 429964 BANKSTATE

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices October 27

[illegible]

Total Sales 6,109,684 shares.

MONTREAL
Closing prices October 27

[illegible]

INDICES

NEW YORK

DOW JONES	Oct 27	Oct 26	Oct 25	Oct 24	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2596.72	2613.73	2653.28	2659.22	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.15	93.13	93.09	92.82	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1190.43	1208.19	1199.32	1210.70	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.86	215.67	216.49	215.04	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2621.11 (2657.99) Low 2573.57 (2597.75)

STANDARD AND POOR'S

	Oct 27	Oct 26	Oct 25	Oct 24	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	335.06	337.93	342.50	343.70	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	379.89	385.19	390.92	392.83	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.17	32.80	33.12	33.05	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.60	187.22	189.52	190.05	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	370.01	373.48	375.92	376.36	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	452.76	458.15	462.89	461.70	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 20	Oct 13	Oct 6	year ago (approx.)
Dow Industrial Div. Yield	3.83	4.01	3.62	3.63

	Oct 25	Oct 18	Oct 11	year ago (approx.)
S & P Industrial div. yield	2.95	2.95	2.82	3.19
S & P Indl. P/E ratio	14.31	14.28	14.91	13.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Fannie Mae	3,741,100	37¼	− 3
Philip Morris	3,291,200	41⅜	− ¼
Merrill Lynch	2,713,000	28⅛	
Chevron Corp	2,378,700	66⅛	+ ⅝
IBM	2,081,400	100	− ¼
Chase Manhattan	2,049,800	36½	− 1⅛
Erbamont	1,901,600	36½	+ 1⅛
AM T&T	1,869,700	43	− ⅝
General Electric	1,843,200	53½	− ⅞
Comp Assoc	1,678,100	12	− ⅜

TRADING ACTIVITY

† Volume (Millions)	Oct 27	Oct 26	Oct 25
New York	171.926	175.240	155.650
Amex	13.429	12.189	8.934
NASDAQ	132.787	128.734	132.119
Issues Traded	1,929	1,944	1,940
Rises	410	391	766
Falls	1,102	1,136	687
Unchanged	417	417	487
New Highs	20	28	33
New Lows	102	89	58

CANADA

TORONTO	Oct 27	Oct 26	Oct 25	Oct 24	1989 HIGH	1989 LOW
Metals & Minerals	3390.2	3411.83	3446.28	3499.41	3919.2 (1/9)	3207.5 (3/1)
Composite	3884.3	3886.36	3906.68	3899.13	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1978.81	1988.61	2005.81	2001.78	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 27	Oct 26	Oct 25	Oct 24	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1621.1	1648.4	1633.5	1649.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	770.3	781.7	780.4	790.7	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	446.20	(c)	464.44	473.56	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6295.42	6411.93	6460.42	6563.53	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	338.93	339.26	338.55	340.96	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	664.2	661.9	660.8	660.9	815.8 (18/4)	660.8 (25/10)
FRANCE						
CAC General (31/12/82)	513.5	517.1	521.6	530.7	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	114.8	118.6	117.8	120.0	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	619.15	630.02	624.76	635.79	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1838.2	1870.8	1856.3	1890.5	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1462.93	1482.62	1481.08	1507.37	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2667.99	2691.18	2706.60	2731.97	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1681.18	1713.16	1723.38	1731.63	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	643.68	644.07	645.61	652.43	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35527.29	35678.49	35442.40	35526.55	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2681.76	2697.58	2672.57	2681.22	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3657.50	3694.37	3713.75	3737.95	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	247.5	252.0	253.3	252.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	190.3	193.8	194.7	194.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	618.48	628.12	626.32	641.48	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1264.03	1278.99	1275.18	1287.69	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1319.27	1330.42	1333.25	1358.42	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1658.0§	1575.0	1544.0	1523.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2543.0§	2544.0	2542.0	2537.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	893.59	899.12	898.36	903.50	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	304.81	308.43	309.31	313.18	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4224.30	4240.10	4239.62	4292.11	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	751.9	763.5	757.8	770.0	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10376.49	10435.95	(c)	10236.01	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	684.96	686.29	686.97	691.19	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	531.2	532.4	533.4	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.21: Taiwan Weighted Price: 10130.36. Korea Comp Ex. 886.00.
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday October 27 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Express	86.1m	1,770	+20	Bridgestone	24.7m	1,980	+20
Tokyu Corp	74.6m	2,740	0	Nomura	20.3m	3,460	+10
IHI	69.9m	1,240	+20	Yasuda F&M	18.2m	1,600	-80
Mitsui Fl Est	34.5m	3,080	-100	Shimizu	17.1m	2,320	-40
Kajima	31.8m	2,320	-100	Tokyo Gas	16.8m	1,140	-10

4pm prices October 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅞	21¼	AAR	.48	1.3	23	186	37¼	36⅝	37⅛	– ⅛
9⅞	8⅞	ACM n	1.01	11.		114	9⅜	9¼	9¼	– ⅛
11⅝	10¼	ACMIn	1.28a	11.		347	11½	11⅜	11⅜	– ⅛
10⅛	8	ACM M	n1.01	12.		478	8⅝	8½	8½	
11½	10	ACM Sc	1.26	11.		730	11⅛	11⅛	11⅛	+ ⅛
9⅞	8⅞	ACMSp	1.01	11.		430	9⅛	9	9	
18	11½	AL Lab	.12	.8	17	141	15⅞	15⅜	15⅜	
4⅛	3⅛	AMCA	.12e	3.3	24	60	3⅝	3⅝	3⅝	
6⅛	4½	AM Intl			11	1604	5⅝	5	5⅜	+ ⅛
23½	20⅝	AM In pf	2	9.4		30	21½	21¼	21¼	– ⅛
107¼	46½	AMR			8	8013	73	69¾	70⅛	– 2⅝
27	25	ANR pf	2.67	10.		35	26	26	26	
7⅛	3⅝	ARX				66	4	3⅞	4	+ ⅛
49⅞	37¼	ASA	3a	6.0		3551	u49⅝	46½	49⅝	+ 3⅝
30¼	15¼	AVX	.24	.9	27	874	27⅞	27½	27⅞	+ ⅛
69½	44⅛	AbtLab	1.40	2.2	17	2738	65⅞	64	64⅜	– 1⅛
18¼	13	Abitibi g	1			89	13	d12⅞	12⅞	– ⅛
13	7½	AcmeC	.40	3.9		213	10⅜	10	10¼	
9⅞	5⅞	AcmeE	.32	3.7	10	5	8⅝	8½	8⅝	+ ⅛
38½	20¼	Acuson			26	326	36½	35¼	35¼	– ⅞
17	14¾	AdaEx	1.82e	11.		89	16¼	16⅛	16¼	+ ⅛
12⅝	6½	Adobe				79	10¾	10½	10⅝	– ⅛
19⅞	16½	Adob pf	1.84	10.		5	18	18	18	
21⅝	19⅞	Adob pf	2.40	12.		13	20⅝	20½	20⅝	+ ⅛
10½	7⅛	AMD				1769	8	7⅞	7⅞	
35	28¾	AMD pf	3	10.		13	29¾	29½	29¾	– ⅛
10⅛	6⅞	Advest	.12	1.5	14	21	8	8	8	– ⅛
62½	46	AetnLf	2.76	4.6	9	2367	61⅛	59⅞	60	– ½
14	12⅞	AflPb	.22	1.7		617	12¾	12⅞	12¾	– ⅛
25	15⅛	Ahmans	.88	4.7	9	2090	19⅜	18½	18⅞	– ⅝
4⅛	2⅛	Aileen				10	2⅝	2⅝	2⅝	– ⅛
48⅞	37¼	AirPrd	1.32	3.0	11	2653	44½	43½	44	– ⅞
39⅝	17⅝	AirbFrt	.60	1.6	19	248	38⅛	37⅞	37⅞	– ⅝
25⅛	14½	Airgas			12	201	21⅛	19⅛	19½	– 1⅞
20⅞	18⅛	Airlease	2.40	12.	9	47	19⅞	19½	19½	– ⅛
10	8½	AlaP dpf	.87	8.9		2	9⅞	9⅞	9⅞	
98⅝	88¼	AlaP pf	9	9.3		z140	97	96⅛	97	+ 1
89	80⅞	AlaP pf	8.28	9.4		z100	88	88	88	– 1

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Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8¾	5	RPC			14	8	5¾	5¼	5¼	
7½	5⅜	RPS n	.57e	9.9		188	5¾	5⅝	5¾	
85¾	29½	Racal	1.21e	2.4	47	1385	51¼	49⅝	49¾	− ½
5⅝	3¼	Radica n				2	3⅝	3⅝	3⅝	+ ⅛
101½	74¾	RalsPur	1.65	2.0	12	810	84⅛	82⅞	82½	− 1⅞
15⅛	8⅛	Ramad				2001	10⅛	10	10⅛	− ⅛
6⅝	4⅞	RangrO			49	1543	5⅞	5⅝	5⅞	+ ⅛
39⅞	30¼	Raycm	.32	1.0	30	893	31½	30½	31¼	− ¼
19⅛	9⅛	RJamF	.20	1.2	7	42	16⅝	16⅜	16⅜	− ⅝
20⅞	18	Rayonr	2.60	13.	5	86	19⅞	19	19⅞	+ ¼
3⅞	½	vjRaytc				22	1⅞	1⅞	1⅞	− ⅛
85	65⅝	Raythn	2.20	2.7	10	912	81½	80¾	80½	− ⅞
2⅜	15-16	RdgB n				65	1⅞	1⅞	1⅞	
17	15⅛	REIT	1.38	8.8	11	72	15¾	15⅝	15¾	
16⅛	13½	RltRef	1.72	11.	9	5	15	15	15	
12⅞	5½	RecnEq				831	6¾	6½	6⅝	
18½	8½	Reebok	.30	1.8	13	5176	17	16½	16⅝	− ⅜
5-16	7-64	Regal				19	5-32	5-32	5-32	
9¾	5⅞	ReglFn	.25e	2.9		111	8⅞	8¾	8¾	− ⅛
15⅝	12½	ReichTg	1.76	13.	8	22	13¾	13⅝	13⅝	− ⅛
6⅝	4⅛	RelGrp	.32	5.8	21	147	5⅞	5½	5¾	
24⅞	16⅛	Repsol n				65	20⅞	20⅝	20¾	
5¾	4¾	RepGyp	.20	4.0	24	28	5	5	5	
51⅝	41	RepNY	1.28	2.8		90	46⅞	46⅛	46⅜	− ¾
16⅞	5¼	Rxene	1a	20.	3	1459	5½	d 4⅞	5	− ⅝
33⅞	19½	RevRey	.76	3.1	8	203	24⅞	24⅝	24⅞	+ ⅛
62¾	48⅝	ReyMtl	1.80	3.6	5	3092	50½	49½	50	− ¼
41⅛	29⅞	RiteAid	.82	2.2	16	418	38¼	37⅛	37¼	− 1

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48¾	44½	Xerox pf4.13		8.6		5	48	47½	48	
44⅛	24¾	XTRA	.72	2.9	8	114	25⅛	24¾	24⅞	− ⅛
4⅛	2	Zapata				205	2⅜	2¼	2⅜	
15½	9½	Zemex	.40	4.2		3	9⅝	9½	9½	
21½	12⅛	ZenithE				2070	12⅜	d11½	12⅛	− ⅛
2½	⅛	vjZenLb				1023	9-16	½	½	
21½	15	Zenitl	.84	4.5	8	24	18⅝	18⅝	18½	
10⅛	7⅛	Zenix	1.28	18.		553	7⅝	d 7⅛	7⅛	− ½
18½	12½	Zero s	.40	2.6	14	32	15⅝	15¼	15⅜	+ ⅛
44⅛	25⅛	Zurn	.76	2.1	17	505	36½	35⅝	36⅛	− ⅜
12⅞	10	Zweig	1.12e	9.7		541	11⅝	11½	11½	− ⅛
10⅛	9⅜	ZweigTl	.96	9.8		1082	9¾	9⅝	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProMed	.42	12	39	4⅛	4⅝	4⅝	+ ⅛
ProfGre		10	6	5	4⅞	4⅞	− ⅛

NASDAQ NATIONAL MARKET

4pm prices October 27

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WmSon s		26	114	25	24¾	24¾	− ½
WilmTr	1.24	12	136	40¼	39½	39½	− ¾
WiscTy		20	11	13½	13¼	13½	
WiserO	.40	49	524	19⅝	19	19	− ⅛
Wolohn	.28	9	111	18½	18	18½	+ ½
WrlEx h			430	7¾	7⅛	7⅝	
Worthg	.56	17	491	24	23⅝	23¾	+ ⅛
Wyman	.60		284	15¾	14⅝	15	− ¾
− X − Y − Z −							
XL Dta s		14	870	18⅞	18	18¼	+ ⅛
XOMA			1767	21¾	20¾	21	− ⅜
Xicor		9	667	4⅝	4⅞	4⅞	− ⅛
YanEnS	.38e		833	21½	20½	20½	− ½
YelowF	.76	11	2302	24⅞	24½	24⅝	− ⅜
YorkFe			62	6	6⅛	6	− ⅛
ZionUt	1.44		164	31	30¾	31	+ ⅝

The Business Column

Tramp of European feet heard in Japan

THE JAPANESE like nothing so much as a good fair. Last week, at the Tokyo Motor Show, the country's powerful motor industry mounted an unparalleled exhibition of the latest production and prototype cars from some 140 Japanese and foreign makers. Proud Japanese industry leaders are emphasising a new spirit of co-operation in the industry. "We must look to create harmony with people and with the world we live in as we go about our vehicle building activities," said Mr Shoichiro Toyoda, president of Toyota Motor.

If it all sounds a bit too good to be true, it is. But the spoiler came from an unexpected quarter: Mr Peter Drucker, the doyen of management consultants. He made the devastating connection between the current political upheavals in eastern Europe and the ambitions of Japan's motor industry in western Europe.

Mr Drucker told foreign correspondents that western governments, particularly West Germany, will not welcome any outside pressure that forces inefficient industries to shed labour at a time when thousands of east Europeans are flooding into western Europe looking for jobs.

Overstaffing

The problem was particularly acute in the motor sector. "In the US, at its peak, the auto industry employed one out of 100 blue collar workers. In West Germany, it employs one out of six. Only Ford in West Germany is not grotesquely overstaffed," Mr Drucker said.

His conclusion? "Europe will have to become strongly protectionist to prevent a rise in unemployment. It cannot afford an increase in unemployment in the next five years."

Mr Drucker's view is that it is in Europe, not in the US, that Japan will face big political problems in the next few years. In the past, a rising industrial power achieved success by exporting new products which did not damage existing industries in other countries. But Japan had moved into mature, labour intensive, declining industries. "That is why it is a political problem," Mr Drucker said.

This is very bad news for Japanese motor industry leaders. Toyota and Honda have only just settled on strategies for manufacturing in western Europe after years of agonising. They were becoming more optimistic that the prospect of fortress Europe after 1992 was receding. Now, they are beginning to recognise that because of eastern Europe, the situation may become more complicated. "It does look more difficult," a senior Toyota official conceded at the motor show.

Problems for UK

As chief European host of the Japanese, the UK could also experience difficulties if the Continent begins taking more protectionist measures and it finds itself alone in the EC fighting for free trade.

Leading Japanese motor companies are increasingly moving into the high-value, high-technology models which have long been a strength of BMW and Mercedes. BMW and Mercedes executives acknowledge that things are getting tougher for them. According to US reports, Toyota's new luxury car, Lexus, outsold BMW in September, its first full month of sales in that market.

If the Japanese pressure on the West German motor industry becomes substantial and producers feel they have to make large-scale redundancies, the West German Government's attitude toward protectionist policies for the European Community motor industry could change quickly. France and Italy would probably be delighted with such a change of heart.

It would undoubtedly occur to the French, German and Italian Governments that the concentration of Japanese plants in the UK offered a simple, surgical solution to the problem.

Perhaps the Japanese will want to take steps to prevent that from happening. If they followed Mr Drucker's advice and decided to take some big risks, they might even think of putting plants in eastern Europe.

Ian Rodger

MONDAY INTERVIEW

Climbing the world ladder

Michel François-Poncet, chairman of Paribas bank, talks to George Graham

"We have no strategy, no philosophy, no concepts. We are pragmatists, opportunists."

Some of Mr Michel François-Poncet's colleagues at Paribas, the French investment banking group which he has headed for the last three years, quarrel with the word "opportunist." But Mr Marc Fournier, whose food-to-financial services conglomerate Compagnie de Navigation Mixte was the target last week of a FFr 22.5bn bid from Paribas, finds "opportunist" too mild; he prefers "underhand."

The two men have long been friends, and are doing their best to remain courteous, but they are now pitched in a battle of giants: Mr François-Poncet, who has the build of a rugby lock forward, against Mr Fournier, about a foot shorter but just as broad across the shoulders.

The bid is the second largest ever launched in France, and if it succeeds, it could propel Paribas a step further up the ladder into the league of banking and financial groups that really count. It calculates its net asset value at the moment at FFr 63bn, and an additional FFr 25bn from Navigation Mixte, nearly half of it in cash, would provide a substantial boost.

"Paribas must position itself among the 15 most important banking and financial groups in the world. It is a necessity on the world scale, when you see the rise of a number of international groups, the latest and not the least being the Japanese. It is necessary on the European scale because the creation of the single market has begun and will continue to give rise to merger after merger. And it is necessary on the French scale, because of the speed with which the French financial market is evolving," Mr François-Poncet says.

His ambitions for Paribas are not measured in total assets, the traditional gauge of importance in the banking sector but one which he regards as meaningless, since "the large retail banking networks have a position that is leading by definition, but not in reality."

Size, in Mr François-Poncet's terms, is "a combination of the scope of our activities, our profitability, our capacity to be a leader in some specific activities, capital market or others, but also as a holding company to have a diversified portfolio of assets in growth areas, such as services, communications."

Before he was named chairman of the group in 1986, Mr François-Poncet was in charge of its north American activities, and his time in the US – both with Paribas and before, at Harvard Business School – has left a clear mark on him.

"I feel at ease communicating in America. It comes out more naturally," says Mr François-Poncet, who can appear much less relaxed in front of his own countrymen, and is downright uncomfortable with French journalists.

His colleagues see it in the breakfast habit, which he introduced to Paribas, and in the American abstract paintings which he has hung in his gilt-edged office in Paris – the room where Napoleon married Joséphine de Beauharnais. He also insists on having the New York edition of the Wall Street Journal flown over to him, not content with the European version.

PERSONAL FILE

- **1935** Born January 1
- **1954** Graduated from Institut d'Etudes Politiques, Paris
- **1958** MBA from Harvard Business School
- **1961** Joined Paribas
- **1985** Chairman of Paribas North America
- **1986** Chairman and chief executive of Compagnie Financière de Paribas, Banque Paribas

Paribas, however, is not an investment bank like Salomon or Goldman Sachs, nor is it a merchant bank like Warburg. It has spread its wings overseas, with strong activities in north America and the UK, for example, alongside its traditional strong presence in Belgium and Switzerland, but in spirit, Paribas remains close to the French concept of *banque d'affaires* – a combination of merchant banking with a diversified portfolio of sizeable equity stakes, which give it an influence that spreads across the gamut of French industry.

Rather than an empire with fixed borders, Mr François-Poncet prefers to talk of a galaxy of alliances, with links spreading out, for example, to the Pargesa group headed by Mr Gérard Eskenazi, a former managing director of Paribas, to Mr Raul Gardini's Ferruzzi group, or to the Axa insurance group headed by Mr Claude Bébéar.

It annoys Mr François-Poncet enormously, however, to be compared incessantly to Compagnie Financière de Suez, the other great *banque d'affaires* in France.

"Suez has its policy and we have ours. I don't think we should see ourselves as direct competitors. It seems to me that the two groups are taking rather different routes," he says.

But the comparison is hard to avoid, and it is one which has recently carried an edge of criticism, since Suez has shaken off the image of being more sluggish than Paribas with two large and aggressive takeovers: Société Générale de Belgique, the Belgian holding company, in 1988, and Groupe Victoire, the second largest insurer in France, this summer. And last week, Suez's main banking arm, Banque Indosuez, once again stole some of the headlines from Paribas with plans to buy up to 24.8 per cent in Morgan Grenfell, the UK merchant bank. Was Paribas's bid for Navigation Mixte not an attempt to catch up, Paris's financial gossips wondered.

Mr Fournier, at Navigation Mixte, has not hesitated to pick at this scab. "Do they have a complex at Suez's success?" he asked last week, before casting a few veiled insults at Paribas's "immobility" and at a series of mishaps in its investment portfolio.

These mishaps are undeniable: an unsuccessful foray in the US stockbroking field with A.G. Becker, sold on to Merrill Lynch in 1984 after huge losses; investment débâcles like Nasa, the electronics retailer which found itself with FFr 400m of losses, the collapsed engineering group Générale de Fonderie, or Scoa, the loss-making trading company in which Paribas two weeks ago sold a 15 per cent stake to Lonrho of the UK.

But defenders of Paribas argue that they are not only balanced by the successes, but are also a sign of the group's aggressiveness: in fact, of the opportunism claimed by Mr François-Poncet.

Paribas has shown that it is ready to cut and prune not just its industrial investments, but also its mainstream investment banking activities, closing, for example, its branches in Sweden and Norway in favour of minority positions in partnership with local banks or financial groups. "Nothing is sacred any longer, the only considerations are your return on capital and your cost levels," Mr François-Poncet says.

"Investment banks have built big machines with high fixed overheads which are only marginally profitable. You have to reconsider whether to stay in activities which only two years ago were considered core activities.

"Universal banking is gaining ground in different ways in different countries. It is more of a European tradition, but when you see the evolution of American banks it looks much more like universal banking than before. But it is not sure that universal banks will continue to operate in the same way, there will be more fragmentation," he says.

Mr Jean-Yves Haberer, who preceded Mr François-Poncet as chairman of Paribas, used to describe the group as "the only sports car in the French banking system." But the sports car was not enamoured of its driver, a somewhat austere former Treasury official and monetary expert, who bore the additional handicap of mistrust as the result of Paribas's nationalisation – a nationalisation which was deeply resented and staunchly resisted in a covert guerrilla operation aimed at abstracting many of the group's finest foreign assets from the French Government's clutches.

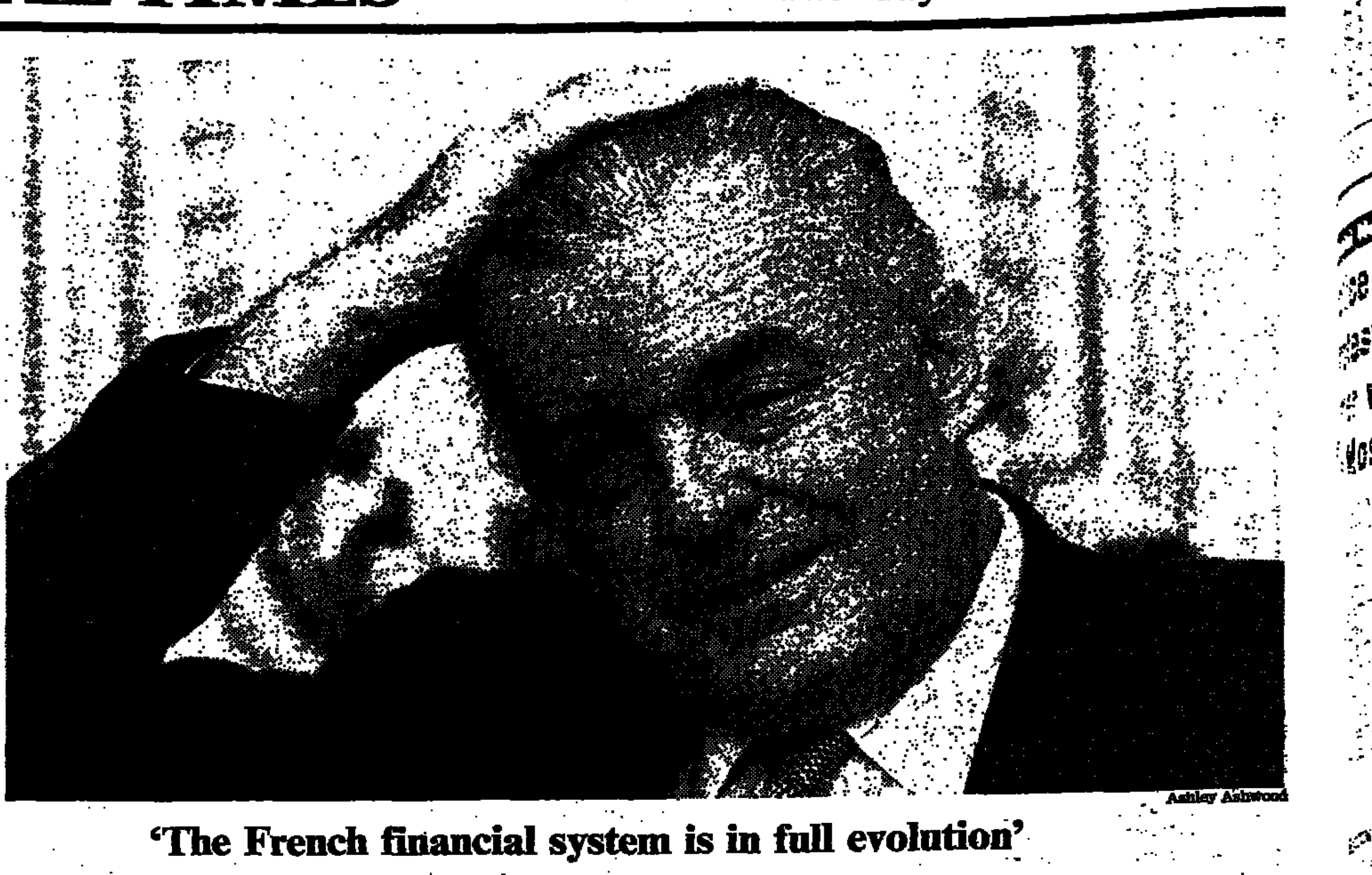
Mr François-Poncet, named to replace him in 1986 when the right-wing government of Mr Jacques Chirac – an old college friend – returned to power, was much more to the taste of Paribas's employees. After 28 years in the bank, he is "Michel" to a large proportion of his staff, where his predecessor remained "Monsieur le Président", and would not have wanted it otherwise. "He has brought back the Paribas culture, which we had lost for a while," comments one close colleague.

A hard-working bachelor, Mr François-Poncet hardly ever eats a meal at home. Breakfast is at the bank, and often lunch too, with a selection of wines that reflects Paribas's wide circle of friends – white wine from the private vineyard of Mr Antoine Riboud, chairman of the food giant BSN, claret from Pichon-Longueville, now owned by the Axa insurance group, one of Paribas's principal shareholders.

His appetite for work has prompted him to pick this week for a visit to London to celebrate Paribas's 25th anniversary in the UK: instead of wasting Wednesday in France, where everything will be closed for All Saints Day, he has picked a country which is not on holiday. But the visit will also give him the opportunity to indulge in his main passion outside the bank, with an exhibition of Paribas's collection of modern paintings.

One aspect of Paribas culture which he has not brought back is the autocratic management style of many of his predecessors. Mr François-Poncet, who is too nice to compete with martinets like Mr Jean Reyre, the undisputed master of Paribas from 1948 to 1969, admits to a more collegial style. "The firm may like his lack of aloofness, but it also likes to be imposed upon. He has made progress in this direction, but he still has some way to go," comments a colleague.

Mr François-Poncet appears determined, nevertheless, not to be left behind by the changes that have swept the French financial world over the last 18 months. "The French system is in full evolution, and we are experiencing the difficulties of adjusting to new rules. That will certainly affect our way of doing business," he concludes.



Ashley Ashwood

'The French financial system is in full evolution'

Reform and the new Home Office team

JUSTINIAN

It seems churlish in the aftermath of last week's political upheaval with the resignation of the Chancellor, ostensibly over the use by the Prime Minister of an unelected political adviser who is not a civil servant, not to be reflecting on the constitutional implications of Cabinet government and the collective responsibility of ministers.

But the sudden arrival at the Home Office of Mr David Waddington and Mr David Mellor – two middle-ranking lawyer-politicians in substitution for two respected political heavyweights who are not lawyers – injects into that politically delicate department of state a double dose of legalism. The changeover could have profound implications for the system of criminal justice.

The new Home Secretary inherits the backwash of the sorry tale of the Guildford Four. The judicial inquiry to be conducted by Sir John May will undoubtedly face some knotty problems. Sir John is primarily asked to find out what went wrong with the eliciting of the confessions, and, if they were falsely induced by improper police interrogation, why did the trial and appellant processes fail to uncover the fundamental defect in the convictions. Will the Guildford Four, in the absence of any compulsion on them to assist the inquiry, agree to give evidence to Sir John? If they stay away from the inquiry, it may make Sir John's task that much more difficult.

The new Home Secretary will want all the help he can get from the inquiry's findings before he takes the high road to the Scottish law of evidence that an uncorroborated confession can never constitute a basis for a conviction.

Whatever comes out of the inquiry, there will remain the broader issue of the criminal justice system itself. Legal commentators have been pointing out, with a rare degree of unanimity, that neither in Scotland nor in western Europe could the Guildford Four have been put on trial, let alone convicted, on the evidence adduced by the prosecution authorities.

Just as a former Home Secretary followed up the Confait inquiry in 1977 with a royal commission on criminal procedure (which reported in 1981 and led up to the Police and Criminal Evidence Act of 1984) so Mr Waddington will be pressed, a year hence or so, to emulate his predecessor by setting up a royal commission on criminal justice covering the whole process from detection of the crime to the conclusion of the criminal process.

It should include an examination of trial by jury, even if it does no more than retraverse the ground trodden by the Roskill committee, which recommended a professional tribunal for serious fraud cases. That did not find favour with parliament, but, within a year or so, the experience of the Guinness trial may provide a pointer to an alternative solution.

Criminal justice, at least at the penal end of the system, is firmly on the agenda of Home Office legislation. Mr Douglas Hurd, it was widely known, had been preparing the ground for a shift in emphasis from custodial to non-custodial penalties for all offenders but the most serious criminals. He was also keen to take on board the Carlisle committee's recommendation on making more sense of the parole system. The feeling was that the outgoing Home Secretary had broadly won the crucial support of the higher judiciary.

Fears are being expressed that Mr Waddington's arrival may lead to a tailoring of these proposals more to the likings of the law-and-order lobby in his party. The basis for this worry is his declared support for capital punishment.

That is altogether too facile a conclusion. Every politician who has become Home Secretary in modern times has become an abolitionist, if he was not already against the death penalty. Faced with the accumulated wisdom within the Home Office and the knowledge of the severe practical problems of restoring the hangman, Mr Waddington will quickly abandon any personal predilection for executing convicted murderers.

He is, moreover, likely very soon to be powerfully influenced by a debate in the House of Lords next Monday, when a report of a Select Committee of 11 peers (with only one dissentient) advocating the replacement of the mandatory penalty of life imprisonment for murder by a period of years fixed by the judge at trial, is due to take place. The Lord Chief Justice and 12 out of the 19 judges of the High Court and the Court of Appeal have expressed their support for a discretionary sentence.

There is, moreover, no general desire among the judiciary to have the death penalty back. A lawyer Home Secretary is bound to respect that view.

What tells most against the fear that an illiberal era is to be ushered in at the Home Office is Mr Waddington's political stance. Although he is regarded as favouring a stern approach to criminal justice, he does not carry around any ideological baggage. He is not a natural proponent of law and order. Nevertheless, he is being compared with Mr Henry Brooke as the first right-winger to become Home Secretary since 1962.

Whatever may have been his reputation, Henry Brooke is remembered fondly by penal reformers as an enlightened Home Secretary (1962-64), who did well, largely because he had no further political ambitions. Mr Waddington is reported likewise to be amply content to have reached the pinnacle of his political advancement, although the same may not be said of Mr David Mellor.